

# THE FILM INDUSTRY IN CANADA

## REPORT



Secretary  
of State

Secrétariat  
d'État





THE FILM INDUSTRY IN CANADA

A report prepared by  
The Bureau of Management Consulting  
for  
ARTS AND CULTURE BRANCH  
DEPARTMENT OF THE SECRETARY OF STATE  
GOVERNMENT OF CANADA

Published by  
DEPARTMENT OF THE SECRETARY OF STATE

Secretary of State

Catalogue No. ARC-7E

© Minister of Supply and Services Canada 1977

Available by mail from

Printing and Publishing

Supply and Services Canada

Ottawa, Canada K1A 0S9

or through your bookseller.

Catalogue No. S2-53/1977

Canada: \$ 8.75

ISBN 0-660-00967-6

Other countries: \$10.50

Price subject to change without notice.



## Prologue

This report was prepared for the Department of the Secretary of State by the Bureau of Management Consulting (BMC).

The Bureau of Management Consulting is an agency of the Department of Supply and Services of the Canadian federal government.

The report represents the written work of seven management consultants, undertaken between September 1, 1975 and March 31, 1976.

The report should not be interpreted as the position of the Department of the Secretary of State, nor of any other participants, public or private, who provided us information in confidence.

The report should be interpreted in the spirit with which it was written - to provide policy makers with a third party perspective on the Canadian Film Industry.

It is hoped that the information contained herein will become part of the general body of knowledge on the industry and will contribute to both public and private sector groups in the on-going process of developing policies.

We did not address the cultural mandates of the agencies, something which must be considered before major changes can occur.

On behalf of the Bureau we want to thank all those individuals who gave of their time and advice on this project. We wish to say a particular word of thanks to Mr. Gordon Noble, Film Policy Manager at the Department of the Secretary of State.



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## INTRODUCTION

This introductory section results from a request from the Department of Secretary of State to make available to the public, reports on the Canadian film industry, prepared by the Bureau of Management Consulting.

BMC had undertaken a study of the Canadian Film Industry over a nine month period, from July 1975 to March 1976.

As a result of this work, four pre-edit reports were given to the Client at the end of March 1976. In addition to the reports, a formal presentation was made to departmental personnel.

These reports, correspond to the following major aspects of the Canadian film industry:

- . markets
- . production
- . distribution and exhibition
- . labour force

The purpose of this introduction is threefold (1) to explain the background and environment within which the four project reports were undertaken, and (2) to comment, primarily, on the executive summaries, and the more important findings and observations contained in the four project reports, (3) to offer suggested courses of action to government and industry personnel.

The four reports are substantially the same as were delivered to Client at the end of March 1976. Any changes are primarily editorial and typographical. Each report can be judged on its own merits and demerits.

1. PROJECT BACKGROUND

Officially the work undertaken by the Bureau of Management Consulting was referred to as: The Canadian Film Industry Review. Unofficially the work became known simply as the Film Study.

1.1 Beginning of Bureau Involvement

In January 1975, the recently appointed Director of Policy Analysis (Group 2) in the Department of the Secretary of State contacted the Bureau of Management Consulting with regard to possible work in the film area.

The prime function of personnel in the Policy Analysis Group 2 (in the Department of the Secretary of State) is to provide advice to senior officials and the Minister on policy issues related to film, broadcasting, and publishing.

To fulfill this function it is necessary for the personnel to interface with other federal departments and agencies impacting on the film industry, provincial governments, and various associations representing the private sector interests. This is a small group, fluctuating between five and seven people within the Arts and Culture Branch. There are only two persons who concentrate near full time on film matters in this group. It is obvious that knowledge of the film industry is essential as well as the capacity to communicate effectively with both public and private groups.

One can assume a number of motivations as to why the Department of the Secretary of State requested such an undertaking. BMC understood that the Client wanted a fresh and independent perspective on the functions and operations of the industry. When a government makes such a request to a third party there are usually three basic reasons.



1. the Client himself has insufficient staff to undertake such a study;
2. the Client wants an independent assessment, one undertaken by a group who had no vested interests in film activities, either within the public or private sectors;
3. government is entertaining a possible change in direction on film matters and seeks a third party input before reaching specific positions.

It was with these basic understandings that the Bureau entered into discussions with the Client on what was to be done, and as work progressed, reason (3) above became most prominent.

Between January and April 1975, a comprehensive design study was undertaken by Bureau consultants. Subsequent budget and time constraints did not allow for the implementation of this global design. After renewed discussions, and taking into account the constraints of time and funds, an agreement letter was signed in mid June 1975.

It is important to be aware of these foregoing events and changes because what the consultants undertook in the ensuing nine months was not the same as had been planned for in the earlier design study. During the early part of our work we frequently had to down play the expectations of individuals who retained the notion that we were somehow going to come up with the definitive work and all the answers related to the film industry in Canada. This was not the case. Our study was a limited one both in time and resources, and findings, as a reading of the reports will show.

## 1.2 The Agreement Letter

The agreement letter signed on June 13, 1975 called for three objectives:

1. to collect and analyse relevant information in order to examine and evaluate the operation of this industry (film);
2. to assist the department in identifying appropriate goals and objectives for federal action in the film area;
3. to assist the department in identifying appropriate mechanisms for federal intervention and support in light of these objectives.

The key words in these objectives were:

- relevant information
- appropriate goals and objectives
- appropriate mechanisms for intervention and support

In effect the four following reports concentrate largely on objective (1) "the collection and analysis of relevant information in order to examine and evaluate the operations of the industry". With regard to objectives (2) and (3) "appropriate goals and objectives" and "mechanisms for intervention and support", these are commented upon in relation to the analysis and evaluation of the information attained.

The main reasons for concentrating on objective (1) were as follows:

- Before one could comment on goals and objectives, or mechanisms for intervention and support, one had to understand the functions and operations of the industry.
- Because the activities of film are located within a number of federal agencies (C.B.C., N.F.B., C.F.D.C.), goals and objectives which were to be implementable would have to be worked out together among these agencies (and hopefully with some type of private sector participation).



- A time constraint of 6 months had been levied. The first step was to get information, analyse and evaluate it. This would lead to an understanding of how the industry operates within both the public and private sectors. And such and understanding was fundamental prior to suggesting new goals and objectives and subsequent means to achieve them.

During the course of the work two events occurred which lead us to believe that our decision to concentrate primarily on the first objective was a sound and correct one. (1) In August 1975, Mr. S. Newman was appointed Special Advisor on Film to the Minister. On first glance it would appear that Mr. Newman's terms of reference would conflict with those of the Bureau.

This however was avoided by cooperating closely with Mr. S. Newman. The consultants had already decided to concentrate on "relevant information." Mr. Newman's prime task was to look at the various roles of the federal agencies in film and subsequent ways and means to integrate them. (2) In January 1976, the Project Team met with the Minister and he clearly indicated that it was the "economics of the industry" that was his prime concern both within the public and private sectors.

### 1.3 Composition of the Project Team

Mr. R. Tompkins, an executive consultant with the Bureau, was assigned in mid-June 1975, as Project Manager.

Mr. Gordon Noble, Film Policy Manager, at the Department of the Secretary of State, was assigned as the Client's representative.

Mr. E. Hahn was assigned by the Bureau as the assistant director responsible largely for formal BMC/Client co-ordination matters.

Mr. E. Henderson was assigned as the senior consultant on Markets and subsequently wrote the Market report.

Mr. N. Matossian was assigned as the senior consultant on Production and wrote that report.

Mrs. O. Zyla was assigned to Distribution and Exhibition and (because of maternity leave) was subsequently replaced by M. Huntley, who wrote that report.

Ms. Suzanne Poitras was assigned as senior consultant on the Labour Force project and wrote that report.

Two other support consultants Ms. Odette Poitras and Mrs. Brita Biboude were assigned to the Project Team and utilized where the need was most, in particular on the Labour Force, and Distribution and Exhibition projects.

#### 1.4 Approach and Methodology

During the months of June, July and August 1975, a number of meetings were held with Secretary of State personnel. The prime purposes of these sessions were:



- to modify and give clearer direction to the work plan and
- to appraise the consultants of the major concerns of the Client with regard to the film industry.

It was important, prior to starting work, that the members of the Project Team comprehend what areas in film were of most concern to the Client. These are summarized below under two categories (1) Production (2) Distribution and Exhibition.

#### Production

- the need to have a comprehensive picture of the employment patterns of the existing labour force;
- the apparent lack of production projects being undertaken by the private sector and related particularly to the feature film area;
- the perceived lack of a qualified and experienced labour force;
- the lack of investment capital attracted to the production of films and in particular, feature films;
- the difficulty of producers in making a profit, or even recovering production costs within the present systems of distribution and exhibition in Canada;
- the marketability of the product, both its access to the existing market and the apparent lack of taste for the end product.

#### Distribution and Exhibition

- foreign ownership? Is it the real 'nemesis' of the Canadian film industry?
- the organization of existing Canadian owned distribution mechanisms to facilitate access of Canadian products to the public
  - . Canadian independent distributors

- . Canadian independent exhibitors
- . CBC as an exhibitor
- . NFB as a distributor
- the apparent lack of organized Canadian marketing facilities both within Canada and internationally;
- the demand shown to date for Canadian production and the whole question of promotion;
- the "kinds of deals" i.e. types of contractual arrangements and the extent of lock-in to foreign owned distributors;
- the different types of distribution mechanisms;
- should there be a quota on distributors?

The Project Team asked Client as to what directions they thought policy would likely take over the next year.

The following points were made:

- a change in the CFDC mandate;
- a change in the role of NFB;
- a training program;
- an attempt to facilitate more Canadians becoming involved in film production in Canada.

As a result of these meetings four projects were delineated, a detailed time frame and costs for each were set, and consultant resources were assigned.

This information was presented to Client at a formal meeting at the end of August 1975. A decision was made by Client to proceed with the four projects as outlined. Basically then, the direction of the work of the Project Team was set at that time, and the consultants and Client staff on the Project Team were committed.



It was with this background that the four projects were decided upon:

- Market Profile
- Production Profile
- Distribution and Exhibition Profile
- Labour Force Profile

The following illustration summarizes the title of each project, the prime objective, and the main areas of investigation.

| TITLE      | OBJECTIVE                                                                                                                                                                        | AREAS OF INVESTIGATION                                                                                                                                                                                                                                                                                                       |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Markets    | To assess the status and potential of film product markets, in Canada and internationally, for domestic and foreign markets, giving key indications and analysis where possible. | <ul style="list-style-type: none"><li>(1) profile of the product share of the film market</li><li>(2) profile of Canadian consumer demand for film products (Canadian and foreign)</li><li>(3) profile of market areas</li></ul>                                                                                             |
| Production | To obtain a profile of the structure and operations of production companies and agencies both within the public and private sectors.                                             | <ul style="list-style-type: none"><li>(4) availability and pursuit of investment capital</li><li>(5) production processes</li><li>(6) opportunities and capacities in terms of product output and employment</li><li>(7) comparative Canadian/foreign film industry indices regarding the potential of production.</li></ul> |



| TITLE                     | OBJECTIVE                                                                                                           | AREAS OF INVESTIGATION                                                                                                                                                                                                                             |
|---------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Distribution & Exhibition | To obtain a profile of the structure and operations of the distributors and exhibitors, both public and private.    | <p>(8) availability and pursuit of investment capital</p> <p>(9) distribution and exhibition processes</p> <p>(10) comparative Canadian and foreign film industry indices regarding the potential of distribution and exhibition participants.</p> |
| Labour Force              | To obtain a profile of the production labour force within both the public and private sectors of the film industry. | <p>(11) availability and concentration of skill types.</p> <p>(12) mobility and career paths</p> <p>(13) employment patterns</p> <p>(14) foreign talent usage</p> <p>(15) industrial relations issues</p>                                          |

## 2. SUMMARY OF THE FOUR PROJECTS

This section summarizes the major points of the four projects. It is not a substitute for a reading of the complete reports. Its prime purpose is to try and capsule those findings, observations, and conclusions we think most important.

### 2.1 Market Profile

The market profile addresses five market areas: Theatrical commercial (commonly referred to as feature films and normally viewed in a cinema or theatre); television, both the public and private networks; sponsored films; educational institutions; and governments.

Within each of the market areas, an attempt was made to determine the size of market; the main users of film products; the major suppliers; the supply origin of the products; and the current and future market conditions.

The following paragraphs comment on some of the pertinent points resulting from the marketing study.

#### Theatrical Commercial Market

Though there has been a decline in terms of numbers of people attending movies, it still remains the most popular leisure time attendance activity in Canada. The average admission price for a movie theatre today is two dollars, a small charge compared with other attendance activities. Though prices have risen steadily, the rate of increase is much less than other attendance forms of entertainment, such as plays and athletic events. It is predicted that by 1980 total annual box office receipts will reach \$320 million.



There are several important trends which have been developing over the past decade and are in evidence today. (These trends are impacting as well on the production of feature films for television).

Firstly, in the film industry, it is recognized that there is a world-wide shortage of 'good' feature films. A good feature film is understood here as one that has a mass audience appeal beyond the boundaries of any one country, and subsequently returns a gross revenue well above the production costs. Though a number of films are in fact made, a relatively small proportion make it big by appealing to this universal audience. With the costs of production rising (including substantial fees to performers) producers and investors have to be concerned with a break-through into the international market and subsequent large audiences. A film, such as "Jaws" is a classic example of this trend.

Secondly, another significant trend is that some large corporations in the United States (such as Gulf Western) have become investors in the production of feature films. Though we have not made a causal link in this trend, one can assume that there are distinct tax advantages and a substantial return on investment if the film achieves universal appeal.

A third trend and one that we think can have significant impact on feature film participants in Canada, is the trend to co-production (both government-to-government co-productions and business-to-business co-productions). The Canadian government is presently encouraging this trend. We see it as one way of getting Canadian films and talent into a wider market than Canada alone.

Within Canada itself we found that the market for French language films and English language films remain quite separate. What appeals to large audiences in French Canada does not necessarily appeal in English speaking Canada. This is understandable, of course, because of the distinct cultural differences. At the same time it does result in the Canadian domestic market being even more constricted as one cannot view the potential audience in Canada as one homogeneous group. As a characteristic English speaking Canadian audiences identify more readily with films produced in the United States. We see little or no change in this over the next decade.

At the present time 96% of the films viewed in Canada originate outside the country, 44% of them from the United States. Understandably, Canada is the largest foreign market for U.S. made films. It is this latter point that upsets those Canadians attempting to form a distinct Canadian cultural identity through the medium of feature film.

It is our considered opinion that the Canadian feature film industry has to aim for a world-wide market, and that any actions taken by the various governments in Canada should lead to this end.

#### Television Market

It is important to keep in mind here that we are referring to any film product that is viewed via the medium of television - and not feature films as seen in movie houses.

As a result of present government regulations (C.R.T.C.) more than 60% of television programming on Canadian networks is of Canadian origin. The balance (40%) is dominated by U.S. produced programs and represents approximately 40 millions of dollars per year in commercial revenue. The 1974 total commercial revenue from Canadian television networks (including the non Canadian programs) is estimated at \$225 millions.



With regard to taste, and particularly in English speaking Canada, American produced programs tend to be more popular than Canadian ones. (This is not a dissimilar finding to that of theatrical commercial films).

A major issue in Canada since the advent of television in 1950, is the flow of Canadian advertising dollars from Canada to United States border stations. This figure is presently estimated at 20 millions of dollars per year.

Coupled with the above issue, a major concern of private television networks in Canada is the anticipation of greater government intervention and control for the sake of cultural objectives.

Finally we predict that the advent of Pay-TV will have a significant impact on television viewing habits, and that the technological innovations of the video disk and the 'memory block' when mass marketed to the consumer will equally affect viewing patterns.

#### Sponsored Films

To quote directly from the Marketing Report:

"Sponsored films, usually of less than 30 minutes duration are made for corporations, institutions and governments - for promotional, quasi-commercial and educational purposes".

It is our considered opinion that the sponsored film market in Canada is relatively untapped by Canadian producers.

### EDUCATIONAL MARKET

- i) Canadian educational institutions spend twice as much on foreign firms than on the domestic product. When it comes to usage, however, the proportions tend to get reversed.
- ii) the private sector is facing competition both from the National Film Board and some provincial governments which are now directly or indirectly involved in the production of audio-visual materials.

There are two other findings as a result of our work that we consider significant. Firstly, there is no national catalogue of educational films, and secondly, the Canadian producers and distributors get little (if any) direct support from the federal or provincial governments.

As is indicated in the Marketing Report, many of the products produced in the United States received substantial government assistance in the past through various U.S. government programs. It is those same products which enter the Canadian market.

### GOVERNMENT MARKET

Governments in Canada remain one of the prime markets for film produced by the private sector. At the same time private sector companies are concerned about the trend for more and more public agencies toward direct involvement in production.

This is an area where the public and private sectors are in competition, and where the private sector claims unfair competition because of the pricing practices of the public agencies.



## 2.2 Production Profile

In addition to a profile of the production sectors of the film industry, the consultant addresses two other areas in his report.

1. the business mechanics of film with particular attention to funds, risk, and investment;
2. problems and opportunities for the industry particularly in the area of interrelationship between the public and private sectors.

By normal industrial standards the film industry is considered to be small and the private sector share of this industry, very small. In production there is an estimated maximum of \$150 million spent by the public and private sectors. The private sector's share of this is one third or approximately \$50 million.

Though the industry is small by industrial standards, this is not to imply that it is not important. One must remember that we are talking about an industry that has a direct impact on the cultural and social values of Canada.

As was mentioned above, the Canadian film production industry as a whole is small by industrial standards. The same principle applies to the number of producing units within the industry.

The consultant identifies a bi-modal distribution of production unit sizes with the majority of producers falling under the \$250,000 or less category and the majority of the remainder above the \$500,000 category.

It is important to understand this bi-modal distribution and its subsequent effects on both employment and investment.

With regard to the integration of functions within producing units, it is our finding that "there is a clear-cut delineation of function and a separation between production firms and other activities". The major effect of this is that most producing units rely heavily on external technical services in order to retain their internal flexibility by avoiding external capital investment.

As most individuals are already aware, the majority of producer units are located in Montreal and Toronto, with Vancouver on the increase. This too is a normal phenomenon as production units usually locate where demand originates and within relatively easy access to laboratory and technical facilities.

A finding which may be somewhat unique to Canada is that the functions of production and distribution are generally separated. One can even go further and maintain that the creative and artistic talent rests largely with the producers, and the business "know how" remains with the distributors. This, of course, leads to complaints, particularly from producers that they suffer from "bad deals" from distributors. Knowledge of business practices and distribution, of course, is the only way producers can correct this situation. One cannot expect that simply because a product is made, that the public will automatically want to see it or buy it. Promotion, marketing and advertising are necessary - the elements of successful selling. As a whole Canadian producers are generally lacking in these skills, though there are notable individual exceptions.



An important finding is the estimate that the private sector's capacity to produce is under-utilized up to as far as 50%. Certainly a portion of this percentage can be attributed to the recent economic down trend of the Canadian economy. There is no doubt in our judgement that utilization of the private sector could increase substantially without at the same time having to increase its capital outlay. The consultant in his report indicates some directions whereby this increased utilization could become possible.

An observation made by the Project Manager and subsequently confirmed by other consultants, was one related to "success". A basic question asked at the beginning of our work was: what makes for a successful Canadian production firm? Our observations show that a successful firm is one that has been able to combine both the commercial and creative aspects of film making. This was evident whether referring to a company or an individual (the latter being more rare). In some cases the commercial talent was more pronounced than the creative, and in others the situation was the reverse. In either situation though, success appears to be directly correlated with the ability to combine creativity and business "know how".

The consultant identifies one of the major risk factors of the Canadian producer, as the limited size of the Canadian market. This same point was made in the marketing study and, of course, is a very important one to recognize and understand.

Unlike the United States producers (the ones with whom we compare ourselves most frequently), Canadian producers have a very difficult time recovering production costs within Canada because of the small market. This applies to features, educational and documentary films. In the case of feature films, it is impossible in all but the most exceptional circumstances, as feature film makers have experienced and are generally continuing to do so.

On the other hand the U.S. producer (because of the much larger domestic market) can expect to recover costs at home and certainly return a profit through foreign distribution.

Any moves which would restrict or inhibit the access of Canadian producers to foreign markets, would have a negative impact on their revenue.

A second major risk factor for Canadian producers, identified by the consultant relates to government and private sector interface. Government agencies which are not subject to profit constraints can operate and do so within the smaller Canadian market. This type of intervention by publicly funded agencies in effect destabilizes the market for private sector producers and thereby increases their risk factor. From the private sector's perspective this is not a financially healthy situation. They cannot compete on a fair basis with these agencies, and believe justifiably so (on financial grounds) that they are the victims of unfair practice by government agencies.

Though our work did not call for an indepth study of federal agencies in film nor for an examination of their roles, the very nature of our work required contact with the agencies. Like the private sector, they too were very receptive to our inquiries and questions. We experienced frankness and openness from all agency personnel which is not to imply that we were always in accord with their goals, objectives, and practices.

C.B.C. The Canadian Broadcasting Corporation (C.B.C.) had operating expenditures in 1973 of \$175 million. Of this amount \$65 million is estimated to have been spent on the production of film and video material.



The growth of the CBC in number of personnel and funds has been considerable. And it is our observation that they are now in a situation - resulting from this increased growth - where they are bound to utilize first their in-house capacity rather than going to the private sector.

Unless steps are taken to curtail this growth, the trend to bigness will continue with possible negative consequences on private sector output.

In the same year (1973) 6% of the operating budget was spent on sponsoring the products of private production companies and the purchasing of film rights. It is estimated that in the same year \$8 million was spent on the commissioning of production outside the CBC.

From one perspective and despite the present restrictions and inhibiting factors, the CBC has the potential to be "a natural conduit for channeling more demand into the Canadian private sector."

N.F.B. Initial reactions to our reports may indicate that we have come down too hard on the National Film Board (N.F.B.). We have touched and commented upon a Canadian institution. What we suggest is a re-examination of the mandate of the NFB and in particular its role in relation to the private sector and other federal departments. This is not to imply that the NFB has not done a good job. On the contrary, we would maintain this and our suggestions for change are to give the NFB a complementary rather than competitive role within the Canadian film industry.

C.F.D.C. An agency which has received much criticism both publicly and within government circles is the Canadian Film Development Corporation.

It is our considered opinion that this agency has had a highly positive impact on the Canadian feature film industry.

Rather than discontinue the CFDC we recommend direction and role changes which will permit it to perform a more catalytic function within the entire Canadian film industry.

### 2.3 Distribution and Exhibition Profile

The scope of this particular study was restricted to the presentation of a profile of the exhibition and distribution of entertainment films in Canada.

It is in the area of entertainment film (theatrical commercial) in Canada where a great deal of emotion persists. A common perception is that the "majors", namely the members of the Canadian Motion Picture Distributors' Association (CMPDA) not only control access to the majority of movie theatres in Canada but also inhibit, through their method of operation, access of Canadian made films.

As the consultant who undertook this project points out "these various trends strongly suggest that American influence in the Canadian film industry waned somewhat over the past decade. This view runs counter to the conventional wisdom which holds that the trend has been toward more and more American domination." One must be cautious here in assuming that because the amount of monies appears to be lessening, that influence is necessarily going in the same direction.

Film rentals derived from entertainment films, amounted to \$87.2 million in 1974. These film rentals come from three markets:

- (a) motion picture theatres (including drive-ins);
- (b) television networks and their affiliated stations;
- (c) film societies, schools, universities and other agencies.

The theatrical film portion of this figure was \$59.9 million (Category (a) above).



Some pertinent comments are made on each of these areas throughout the report.

With regard to economic trends, the following points are made in this introduction:

- employment in the distribution and exhibition aspects of entertainment film has remained static over the past decade (1964-74) with no significant increase or decrease;
- gross receipts have doubled in this decade, however, when discounted for inflation the growth rate is 2% per annum;
- the biggest change in this period is the overall decline in attendance (10 million over the decade);
- television rentals show a no-growth situation over the period, and when discounted for inflation, a deficit position;
- the strongest growth area (though the smallest in dollars) was non-theatrical rentals, from less than \$1 million in 1964, to over \$6 million in 1974.

There was little change found in the method of conducting the business of distribution and exhibition over the past decade, and as described in the Firestone Report of 1965.

The consultant found that block-booking is seldom, if ever, practiced in the urban theatres. The most important change is the increase in box office dollars going to the distributor (and producer), estimated to be 38% at present, compared to 30.8% in 1951, and 34.2% in 1962.

There is a marked increase in the number of distribution firms in Canada in 1974 from 68 to 83.

Interviews with distributors indicate that theatrical film rentals as reported by Statistics Canada under-estimate the total receipts of this market.

Trends indicate that a larger share of film rentals are accruing to the distributor, while at the same time the percentage of film rentals remitted to the United States has been reduced over the past decade. It is for these reasons that the consultant suggests that the American influence has lessened over the past decade. Canadian companies appear to be getting a larger market share, be it for foreign products (other than those from the U.S.) or by increasing the Canadian product amount within their distribution systems. This is not to indicate that the influence of American distribution companies (or their Canadian subsidiaries) is still not paramount within the Canadian feature film business.

Though the total number of movie screens is approximately the same as it was a decade ago, the actual number of theatres and seats has declined. This is in keeping with market changes and tactics: more screens, smaller theatres and more program variety. We anticipate that this trend will increase.

To some people a minor point, but to exhibitors, a major one. Concession revenues which run to about 15% of total theatrical receipts are very important in maintaining the profits in theatre operations.

Television rentals increased only slightly between 1964 and 1974. Though there is no hard explanation for this, there appears to be some reluctance on the part of the English CBC network to show Canadian films. This is an area in which the consultant suggests further investigation.

## 2.4 Labour Force Profile

The previous three profiles dealt with markets, production, distribution and exhibition. It is in the Labour Force profile, where the human element (in the film industry) is addressed.

The consultant who undertook this project addresses five principal categories - performers, writers, musicians, film directors, and technical talents.



Within each category an attempt has been made to develop a profile with the following aspects in mind: organization, availability for employment, access to employment, training, mobility, utilization and income.

The report is an extensive one and should be read in its entirety. Here an attempt will be made simply to capture some of its major points.

Similar to the production profile, the consultant who conducted the work on the Labour Force recommends the commissioning of production from the private sector. Suggestions are made as to the first steps necessary for this to happen.

It is maintained that the complexity of the labour force is partially attributed to a lack of consistency in the policies and practices of the federal government.

Perhaps a significant finding and conclusion is "the market for Canadian films is restricted by the distribution system, with the result that the output and work opportunities are lower than they should be."

There are a number of factors impacting on work opportunities:

- the policies and practices of the federal agencies: C.B.C., N.F.B., C.F.D.C., and C.R.T.C.
- provincial educational television authorities
- television networks and stations in the private sector
- film production companies
- advertising agencies.

One cannot dichotomize and say simply that the effects on employment are positive or negative. There is no question that the activities of the public agencies create work primarily within the public sector with overflow effects on the private sector. The issue appears to be centered around finding a proper balance and which area (public or private) will actively be encouraged to develop. Without addressing the philosophical issue it is important to realize that in today's public/private mixed economy, the public agencies are a prime source of employment.

As an example, the C.B.C. is the largest employer of creative talents in Canada. However only 6% of its programming is commissioned from the private sector. There are two obvious conclusions here:

- The C.B.C. is a major source of income for creative talent.
- Because of the size differential, private sector companies cannot compete with the resources of this corporation.

Film directors (as a group) we found were less concerned about the money they earn -- a reflection of their creative orientation. Their prime concern centered around exposure and their perceived need to have access to a distribution system which would insure that their films received the widest possible exposure both within Canada and abroad.

Industrial relations in the broadcasting and film area (mentioned before as being very complex) are determined largely by the agreements reached between the largest employer (CBC) with the major professional associations and unions (ACTRA, UDA, AFM). The agreements made between these groups reflect throughout the entire industry both public and private.



Both the CBC and the NFB have been the most important factors in the growth and organization of the labour force, but their activities have tended to inhibit the growth of the private sector and its utilization of creative talents.

### 3. SUGGESTED COURSES OF ACTIONS

In this section we will offer some general conclusions, some recommendations and suggested courses of action.

Again, it is important to understand that each of the consultants approached their work from the perspective of their project area of investigation. The implications of this approach are that the recommendations of any one particular project area may be very useful if one limits one's scope solely to that area.

However the film industry 'per se' is very complex. One has to understand the operations and interrelationships of the various parts and players before any integrated action can take place with some degree of success.

So we caution readers from viewing any one of the project recommendations in isolation. What we think is important is to indicate the general directions that government should take. This is our advisory role and this we will attempt to do.

Most of the remarks to follow are made in relation to two of the government's objectives regarding film policy

- (1) increased Canadian content and ownership
- (2) increased participation of Canadians in their economy.

Firstly, let us address some general conclusions as a result of our work, and then comment on each of the major agencies.



(a) In the area of information or intelligence we found a great deal lacking. Any efforts that government can take to improve the statistical information base, upon which effective long range planning can be made, we would support strongly and so recommend.

With regard to information exchange, we think that studies undertaken by various government agencies should be made available to film associations and vice-versa. If one wants participation in the development of policies and practices that will benefit the film industry as a whole, this free exchange of information is a necessary prerequisite. It allows for a greater input from all parties involved and results in a sounder information base upon which decisions are ultimately made.

As an example, we would encourage the development of a national catalogue of educational films, possibly by one of the agencies and in any case in cooperation with provincial governments and private sector associations. As well, we would encourage the publication of position papers on various directions the government is thinking of taking, to allow time for feedback and redress from the private sector. An example of this, is the new five year plan announced by the Commissioner of the National Film Board.

(b) As a second major conclusion, there is no doubt in our minds that the private sector has both the technical and creative capacity to produce whatever type of film demand may require. This we think is a change from 10 and 15 years ago and certainly from 25 years ago. Many of the film personnel in the private sector received their initial experience at the NFB or CBC. It is these same individuals who are now pressing for change either as individuals or companies. As a general principle we would encourage government to take steps which would permit the private sector a larger share of the market and to remove agencies from any competitive relationship, primarily to a catalytic and complementary role.

(c) In the area of communications or interface between the public and private sectors, we found both skepticism and yet at the same time increased efforts towards more consultation. One of the unfortunate situations is that the personnel particularly within the Department of the Secretary of State are continually changing. This leads to a lack of consistency in dealing with the private sector, other agencies and provincial governments. It is simply disconcerting. What we wish to point out here is that the lack of permanency among staff within the federal system is not conducive to the most effective communications. Any efforts to increase this permanency and stability would be useful and welcomed.

Two very positive examples of good communications that we were made aware of were: the Canadian Film Institute (C.F.I.) and the Film Festivals Bureau. Both these organizations are having a positive impact and warrant continued support.

C.F.D.C. With regard to the Canadian Film Development Corporation, despite the criticisms from many sources, it is our conclusion that this agency has had a very positive impact on the feature film industry. We would recommend an increase in the mandate of the CFDC which would permit it to become involved in more aspects of the business of film. Recent moves towards the development of programs for script writing and assistance for promotion and distribution should be encouraged and supported. A move towards the support of educational film products should be encouraged as well as other areas directly related to film production. We are not recommending that the CFDC become a producing agent. What we are recommending is that its mandate and funding be increased so that the agency can continue its catalytic and complementary role but in a wider range of film activities and business, and in a joint venture approach with private sector groups and even provincial governments.



N.F.B. The National Film Board, like the CFDC has come under much criticism. Perhaps this is an indication that it is both active and aggressive. As our reports indicate, many in the private sector perceive of the NFB as an unfair competitor and a hindrance with regard to access to other government departments. We also know that the NFB is aware of this criticism and is taking gradual steps to overcome it.

As a cultural agency, we don't think the NFB should have to compete with the private sector. At the same time, where there are indications that the private sector can perform equally as well (such as in the Sponsored Film Program) it should be permitted to do so without unfair competition. In our judgement the proper role for the NFB is in the areas of experimentation, innovation both creative and technical, and training.

C.B.C. With regard to the CBC the situation and circumstances are quite different from those of the CFDC or NFB. We recognize the complexities and difficulties of the CBC in bringing about change. We can only suggest at this time that any efforts to increase private sector participation in CBC production would have positive effects on both the public and private sectors.

We wish to close with a few final words on policy making as related to film.

First policy is not a static phenomenon. Those individuals who think any government can come up with a policy statement to satisfy all needs and interest groups, are naive.

What is important to policy makers is that they receive as broad a range of perspectives as possible. In the Canadian situation this requires continuous consultation with industry and provincial governments. One can't rely solely on the federal government to reach one's cultural objectives. Perhaps in attempting to achieve a greater cultural awareness and identity, one should look to the government to create the environment for the development of an economic base within which culture can flourish.

A brief examination of changes in the government practices over the past ten years leads us to believe that the Department of the Secretary of State is moving in this direction.

We would hope that our suggestions in this report will assist the policy makers further, and in particular make them aware that the private sector of the Canadian film industry is not only willing but capable of doing more.



VOLUME I MARKETS FOR FILM PRODUCTS

EXECUTIVE SUMMARY

This report presents separate profiles for each of the principal markets for Canadian film products . These markets have been identified as:

THEATRICAL COMMERCIAL

TELEVISION

SPONSORED FILMS

EDUCATIONAL

GOVERNMENTS

These markets overlap to a certain extent, for the educational market relies largely on governments, which are also heavy contributors to the television market. The classification is nonetheless convenient as a base for research.

For each of these five markets, an attempt has been made to ascertain:

MARKET SIZE

MAIN USERS OF FILM PRODUCTS

MAJOR SUPPLIERS

ORIGIN OF SUPPLY OF PRODUCTS

CURRENT AND FUTURE MARKET CONDITIONS

The study presents factual data freely drawn from non-confidential secondary sources. This approach should enable the Department of the Secretary of State to update the information from time to time without having to go back over the same ground to any significant extent.

The data presented, although rather incomplete, should provide a factual background for discussion among all concerned with the problems of marketing Canadian film products.

The main findings for each of the five markets are listed in point form below:

#### Theatrical Commercial

- . Products for the domestic theatrical and drive-in market are feature films (16mm, 35mm, and some 70mm), and 'shorts' (cartoons, newsreels, and documentaries).
- . Movie-going is the most popular of leisure-time attendance activities in Canada.
- . An 'average' Canadian pays to see 4 movies a year.
- . An 'average' urban family or unattached individual spends \$27 a year on movie-going.
- . The 17-19 age-group are the most frequent movie-goers.
- . Movie-going is a declining market in terms of numbers, but rising prices have led to a steady increase in box-office receipts; the average admission price in Canada today is around \$2; and average utilization of theatre capacity is 16%.
- . Annual box-office receipts may rise to \$320 million by 1980.
- . There is at present a world-wide shortage of good feature films.
- . Several large corporations in the United States, not connected with the entertainment industry, have become investors in feature-film production.
- . The television networks in the United States have been producing feature films since about 1970.



- . There has been an increase in co-productions in recent years.
- . The commonest form of financial agreement between a distributor and an exhibitor provides for a percentage of box-office receipts on a sliding scale which increases the distributor's share as the run of the movie extends.
- . It is virtually impossible to make money on a Canadian film if distribution is limited to Canada.
- . The Canadian markets for French-language and English-language films continue to be largely quite separate.
- . The Canadian market for feature films is supplied to an extent of 96% by foreign imports, of which 44% are produced in the United States.
- . The market for feature films made in Canada is very constricted, because the Canadian public appears to identify more readily with the social and cultural values expressed in foreign films, particularly those produced in the United States.
- . Canadian film rentals from abroad amount to some \$40 million a year, of which 95% goes to the United States.
- . Canada is the largest foreign market for Hollywood.

#### Television

- . Watching television continues to be an important leisure-time activity in Canada, at a level that has remained fairly constant over the past four years.
- . Viewing patterns vary considerably according to age, sex, occupation, education, language and climate.
- . American programs are very much more popular, in general, with the Canadian public than Canadian programs.

- . More than 60% of Canadian television programming is of Canadian origin.
- . In 1974, total commercial revenue on television was \$225 million.
- . Foreign programming on Canadian television, 90% of which is American, amounts to some \$40 million a year.
- . Since 1950, border stations in the United States have drawn \$250 million or more from advertisers in Canada; the present level is estimated at \$20 million a year in sales which compete with Canadian stations already paying the full tariff for American programs they show.
- . Economic factors, particularly economies of scale, are a major influence on the amount and nature of television programming.
- . The impending advent of Pay-TV is perhaps the most important problem to be solved in the near future.
- . Technological developments, of which the most important are the video disk and the 'memory block', are likely to have a revolutionary impact on television viewing within the coming decade.
- . It is thought that there is a distinct possibility of strong federal intervention in the market.

#### Sponsored Films

- . Sponsored films, usually of less than 30 minutes duration, are made for corporations, institutions, and governments for promotional, quasi-commercial, and educational purposes.
- . Although sponsored films are an inexpensive promotional medium, the market is relatively untapped, and sponsors are currently reducing expenditures.



- . It is estimated that approximately 10,000 sponsored films are in commercial distribution in Canada today.
- . Distribution of sponsored films in Canada represents a very small volume of business by comparison with theatrical distribution.
- . Sponsored films are distributed either directly by the sponsor or through a commercial distributor.
- . Some 60% of the sponsored films commercially distributed in Canada originate in the United States.
- . For commercial distribution, the sponsor lodges his stock with a distributor, who advertises to selected potential borrowers; borrowers pay only return postage, and the distributor charges the sponsor a small fee based on the exposure of the film.

#### Educational

- . The market for educational audio-visual material in Canada at present amounts to approximately \$20 million a year.
- . The 16mm film is the most popular AV format in the Canadian school system.
- . Two-thirds of the 16mm films bought by Canadian educational institutions are of foreign origin, but usage indicates a ratio of 2 to 3 in favour of the Canadian product.
- . Centralized school libraries are, in total, the largest repository of film strips, while universities maintain the largest inventory of micro-material.
- . 'Non-print' items account for only 10% of total library purchases by educational institutions in Canada.
- . Certificates for the importation of educational material are issued by the National Film Board.

- . There is no national catalogue of educational films.
- . Some provincial governments are now directly or indirectly engaged in the production of audio-visual material.
- . Audio-visual technology is being increasingly used in education.
- . Producers in the private sector are concerned about increasing competition from government agencies supported by public funds.
- . Unlike producers of educational material in the United States, Canadian producers and distributors get little support from the federal or provincial governments.
- . It is paradoxical that, in a country so concerned to maintain its national identity and foster an indigenous culture, the education of most Canadians relies mainly on foreign audio-visual materials.

#### Governments

- . There is no single procurement agency for the audio-visual material required by the federal government and its agencies; some rationalization is called for.
- . Producers in the private sector advocate legislation that would direct the National Film Board to compete for federal business in the open market.
- . There appears to be a need for more effective control of the procurement, inventory, and utilization of audio-visual hardware by federal departments and agencies.
- . Expenditures by federal departments on audio-visual material amount to some \$15 million a year.



- . Despite current restraints, it is expected that federal expenditures on audio-visual material will continue to grow over the long term at the expense of other media.
- . It was found that adequate information about the expenditures of provincial government on audio-visual material was either not forthcoming or not readily available.

1.        INTRODUCTION

In September 1975, the Department of the Secretary of State commissioned the Bureau of Management Consulting to undertake a study of markets for film products, with the following refined terms of reference:

"To assess the status and potential of film product markets in Canada and internationally for domestic and foreign products, giving key analytical indicators and analyses."

The Client defined 'film products' as:

Film - feature length (more than 75 minutes)

Film - snort length (75 minutes or less, in  
documentary, drama and commercial styles)

Videotape recording

Silent loops

Film strips and slides

in varying gauges wherever applicable.

The markets were identified as:

Theatrical commercial cinemas

Television

Educational

Sponsored

Governments

These markets overlap to a certain extent. For example, the educational market is largely a government market, and the federal government, as



well as some provincial governments (notably Ontario), contribute heavily to the television market.

In discussions, the client indicated that the purpose of the study was to answer certain basic questions in each of the market areas, namely:

Size of market

Main users of individual film products

Major suppliers

Origin of Supply - within or outside Canada

Market Conditions - current and future

The consultant was asked to provide factual data from secondary sources, quantified wherever possible. The information provided was to be of a kind that could be subsequently updated so as to provide a current data-base to be used in the decision-making process.

## 2. THE THEATRICAL COMMERCIAL MARKET

### 2.1 Definitions

Market: For the purpose of this study, the theatrical commercial market means the people who go to movie theatres and drive-ins, and who pay for admission. Feature Film: Statistics Canada has hitherto defined a feature film as one exhibited in a commercial cinema and more than 60 minutes in length. In future, however, the definition to be used by Statistics Canada<sup>(1)</sup> will be a motion-picture film in excess of 75 minutes duration that has been produced primarily for exhibition in a commercial motion-picture theatre.

### 2.2 The Products

The products for the domestic theatrical commercial market are feature films (16mm, 35mm, and some 70mm) and 'shorts' (cartoons, newsreels, and documentaries, all generally 35mm). In 1973, the numbers of new films released for theatrical bookings in Canada were<sup>(2)</sup>:

|                 |                |   |       |
|-----------------|----------------|---|-------|
| Features:       | 16mm           | : | 53    |
|                 | 35mm and 70 mm | : | 758   |
|                 |                |   | <hr/> |
|                 |                |   | 811   |
|                 |                |   | <hr/> |
| Short subjects: | 16mm:          |   | 5     |
|                 | 35mm           |   | <hr/> |
|                 |                |   | 137   |
|                 |                |   | <hr/> |
|                 |                |   | 142   |
|                 |                |   | <hr/> |

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(1) Statistics Canada, Catalogue # 63-206

(2) Statistics Canada, Catalogue #63-207



### 2.3 Movie-going as a Leisure Activity

'Going to the movies' is a recognized leisure activity, and its extent in Canada was examined in a study (3) undertaken early in 1972 for the Secretary of State. The following were the main findings:

- i. Movie-going accounts for almost 10% of expenditures by the average family on leisure-time goods and services; the proportion is higher for the more affluent families.
- ii. Almost 35% of the Canadian population went to at least one movie during January to March 1972, this being the most popular attendance-activity during the period; of these, about 36% were occasional attenders, nearly 42% regulars, and 22% frequent attenders.
- iii. Movie-goers with at least a high-school education represented a slightly larger proportion than those with less than a Grade IX education; this pattern was most pronounced among the frequent attenders.
- iv. Paid attendance at movies was strongest in the 17-19 age group, followed closely by the 20-24 age-group.
- v. The average Canadian pays to attend 4 movies a year; corresponding frequencies are 5 in the United States, 3 in the United Kingdom, 19 in the USSR, and 3 in Sweden.

Movie-going is seen to be the most popular leisure-time attendance-activity in Canada, speaking generally, but its incidence is a function of age, education, and socio-economic status.

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(3) A LEISURE STUDY - Canada 1972 - LES LOSIRS AU CANADA  
1972 - Carol Kirsh, Brian Dixon, Michael Bond - A.E. Design  
and Cultural Publications for the Arts and Culture Branch,  
Department of the Secretary of State.

TABLE 1

ANNUAL EXPENDITURE ON MOVIES IN SELECTED CANADIAN CITIES -  
1969 and 1972 (all families and unattached individuals)

|             | <u>1969</u> | <u>1972</u> |
|-------------|-------------|-------------|
| St. John's  | \$11.40     | \$14.30     |
| Halifax     | 17.20       | 23.30       |
| Montreal    | 20.10       | 30.00       |
| Ottawa      | 24.10       | 21.90       |
| Toronto     | 30.40       | 31.10       |
| Winnipeg    | 19.60       | 21.40       |
| Edmonton    | 22.40       | 30.90       |
| Vancouver   | 20.30       | 20.70       |
| Whitehorse  | NA          | 27.80       |
| Yellowknife | NA          | 50.60       |

(Source: 1969 - Statistics Canada, Catalogue #62-537;  
1972 - Statistics Canada, Catalogue #62-541)

Comments

- i. Expenditure on movie-going by urban families or unattached individuals appears to average about \$27 a year; corresponding rural data are not available.
- ii. In 1974, Statistics Canada made a survey of family expenditures in 14 cities; the results are expected to become available shortly.



TABLE 2

ESTIMATED ATTENDANCE AT PAID AND FREE EVENTS IN CANADA - MOVIES

| <u>PAID</u> |               |          | <u>FREE</u>   |          |
|-------------|---------------|----------|---------------|----------|
| <u>Age</u>  | <u>(000s)</u> | <u>%</u> | <u>(000s)</u> | <u>%</u> |
| 14          | 223           | 52       | 54            | 13       |
| 15-16       | 521           | 58       | 116           | 13       |
| 17-19       | 772           | 65       | 127           | 11       |
| 20-24       | 1044          | 63       | 95            | 6        |
| 25-34       | 1245          | 46       | 99            | 4        |
| 35-44       | 819           | 33       | 81            | 3        |
| 45-54       | 594           | 26       | 63            | 3        |
| 55-64       | 267           | 17       | 25            | 2        |
| 65-69       | 72            | 12       | 7             | 1        |
| 70 and over | 55            | 6        | 9             | 1        |
| TOTAL       | 5612          | (38)     | 676           | (5)      |

(Source: Statistics Canada, Service Bulletin 81-001  
January 1973, Education Division)

Comment

The heaviest attendance at paid movies (65%) was by the 17-19 age group, closely followed by young adults in the 20-24 age-group (63%).

## 2.4 Popular Taste

The public pays for what it likes, and can be said to control the market. The key to marketing is an ability to assess public demand, and supply what is wanted. The movie-goer is primarily interested in entertainment of good quality, but this entails subjective judgements. A film that meets very high artistic standards often attracts large audiences, but so does many a film that is totally lacking in any discernible quality whatsoever. In this connection it may be mentioned that there is at present a world-wide shortage of new feature films, and more particularly a shortage of high-quality production.

Distributors claim that the success of a movie depends on the strength of its appeal to a public that has already seen it, that is to say that the best publicity is achieved by word-of-mouth. The successful theatrical marketing of a feature film depends on ensuring that the public initially sees it and likes it.

It has been said that feature-film production in Canada cannot compete with foreign production because the Canadian public identifies itself more readily with the values and life-styles displayed in foreign films, especially those from the United States, than with those in Canadian films. If this is so, it would seem to be an outcome of massive exposure to foreign films and television programming.

A poll on the subject of film quotas, conducted by the Canadian Institute of Public Opinion in May 1973, disclosed a paradox: while two-thirds of those polled approved the idea of a statutory requirement that Canadian movie-theatres show at least some Canadian films each year, almost half acknowledged that they themselves would not be particularly interested in going to see them. In Québec, however, a 49% interest in going to see Canadian films was higher than the national average.



A problem in assessing and satisfying popular taste is the strong support by some sections of the public for films depicting violence, horrors and monsters, and particularly pornography. However, there are differing opinions about the popularity of pornography. The Canadian Motion Picture Distributors Association (CMPDA) claims, contrary to the strong impression given by press advertisements, that 'porno' films do not constitute a significant portion of the Canadian theatrical market. On the other hand, a Hope Report on Motion Pictures and Video Cassettes (1971) mentions that some 330 pornographic<sup>(5)</sup> feature-films were released in the United States in 1971, 50 of which ran in 'regular' theatres with an X-rating from the Motion Picture Association of America (MPAA). The conclusion is that pornographic movies satisfy, and probably nurture, a particular demand that reflects one aspect of popular taste.

Most of the market testing for imported films, which constitute the bulk of the supply, is done by the producers in the United States. Canadian English-language films are tested in showings to Toronto audiences.

## 2.5 The Size of the Canadian Market

There has been a steady decline in paid admissions to movie-theatres and drive-ins in Canada (see Table 3), which no doubt reflects the development of more selective audiences presented with ever-increasing competition for shares of the disposable income of the public.

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(5) Hope does not define a 'pornographic' feature-film.

TABLE 3  
MARKET SIZE - CANADA - 1940-1974

A. Paid Admissions and Establishments

|      | <u>Number of Paid Admissions (millions)</u> |                    |              | <u>Number of Establishments</u> |                  |
|------|---------------------------------------------|--------------------|--------------|---------------------------------|------------------|
|      | <u>Theatres</u>                             | <u>Drive-ins</u>   | <u>Total</u> | <u>Theatres</u>                 | <u>Drive-ins</u> |
| 1940 | 182.8                                       | nil                | 182.8        | 1229                            | nil              |
| 1950 | 231.7                                       | 4.9                | 236.6        | 1801                            | 62               |
| 1960 | 107.7                                       | 10.0               | 117.7        | 1427                            | 232              |
| 1964 | 90.9                                        | 10.8               | 101.7        | 1209                            | 242              |
| 1965 | 89.1                                        | 10.8               | 99.9         | 1171                            | 247              |
| 1966 | 87.7                                        | 11.3               | 99.0         | 1149                            | 245              |
| 1967 | 85.5                                        | 12.0               | 97.5         | 1156                            | 253              |
| 1968 | 84.9                                        | 12.3               | 97.2         | 1148                            | 261              |
| 1969 | 78.9                                        | 11.3               | 90.2         | 1157                            | 271              |
| 1970 | 80.8                                        | 11.5               | 92.3         | 1156                            | 279              |
| 1971 |                                             | DATA NOT AVAILABLE |              |                                 |                  |
| 1972 | 81.2                                        | 10.6               | 91.8         | 1128                            | 284              |
| 1973 | 77.4                                        | 11.6               | 89.0         | 1135                            | 299              |
| 1974 | 79.0                                        | 11.4               | 90.4         | 1116*                           | 307              |

(est) (Sources: Statistics Canada, Catalogue #62-207;  
Statistics Canada, 'Historical Statistics  
of Canada', Series T 213-226)

\* with 1231 screens.

Comments

In the thirty years from 1940 to 1970, paid admissions to movie-theatres and drive-ins dropped by half; there has been a further but less market decline in the decade 1964-1973, and in future a stabilized level is indicated.



TABLE 3 (continued)

B. Receipts from Admissions

|               | Receipts Less Taxes (millions) <sup>\$</sup> |                  |              | Taxes (millions) <sup>\$</sup> |                  |              | Average<br>Admission<br>price* |
|---------------|----------------------------------------------|------------------|--------------|--------------------------------|------------------|--------------|--------------------------------|
|               | <u>Theatres</u>                              | <u>Drive-ins</u> | <u>Total</u> | <u>Theatres</u>                | <u>Drive-ins</u> | <u>Total</u> |                                |
| 1940          | 37.5                                         | nil              | 37.5         | -                              | -                | -            |                                |
| 1950          | 82.7                                         | 2.3              | 85.0         | 11.4                           | 0.3              | 11.7         |                                |
| 1960          | 65.5                                         | 6.8              | 72.3         | 5.4                            | 0.5              | 5.9          |                                |
| 1964          | 69.3                                         | 9.0              | 78.3         | 4.6                            | 0.4              | 5.0          |                                |
| 1965          | 75.4                                         | 9.8              | 85.2         | 5.1                            | 0.5              | 5.6          |                                |
| 1966          | 83.0                                         | 11.4             | 94.4         | 5.9                            | 0.7              | 6.6          |                                |
| 1967          | 90.8                                         | 12.8             | 103.6        | 6.4                            | 0.8              | 7.2          |                                |
| 1968          | 99.0                                         | 14.7             | 113.7        | 7.3                            | 0.9              | 8.2          |                                |
| 1969          | 102.4                                        | 15.7             | 118.1        | 7.5                            | 1.0              | 8.5          |                                |
| 1970          | 111.7                                        | 17.0             | 128.7        | 8.1                            | 1.1              | 9.2          |                                |
| 1971          | NA                                           | NA               | NA           | NA                             | NA               | NA           |                                |
| 1972          | 122.5                                        | 17.9             | 140.4        | 8.9                            | 1.2              | 10.1         | \$1.62                         |
| 1973          | 129.9                                        | 20.7             | 150.6        | 9.7                            | 1.4              | 11.1         | \$1.80                         |
| 1974<br>(est) | 149.7                                        | 23.0             | 172.7        | 11.2                           | 1.6              | 12.8         | \$2.04                         |

\*Theatres

(Sources: Statistics Canada, Catalogue # 63-207;  
Statistics Canada, 'Historical Statistics  
of Canada', Series T213-226.)

TABLE 3 (Continued)

- i. Despite the fall in numbers of paid admissions, there has been a steady increase in net receipts from admissions, in both current and constant dollars; drive-ins now account for some 14% of receipts.
- ii. From 1964 to 1974, net after-tax receipts (in current dollars) from paid admissions roughly doubled, indicating an annual growth rate of about 8%; the real growth, however, was only about 4% after applying the following deflators based on the implicit prices of personal expenditures in Canada - 1971 = 100:

|            |             |             |
|------------|-------------|-------------|
| 1960: 72.1 | 1966: 82.6  | 1972: 104.9 |
| 1961: 72.4 | 1967: 85.9  | 1973: 113.7 |
| 1962: 73.4 | 1968: 88.7  | 1974: 129.4 |
| 1963: 74.8 | 1969: 92.6  |             |
| 1964: 76.6 | 1970: 96.9  |             |
| 1965: 79.1 | 1971: 100.0 |             |

These deflators were supplied by Statistics Canada, National Accounts Section.

- iii. Exhibitors do not collect or maintain separate statistics covering paid admission to Canadian feature-films.



TABLE 4

DISTRIBUTION AND UTILIZATION OF SEATING CAPACITY AND CAR CAPACITY

OF MOTION-PICTURE THEATRES AND DRIVE-INS - 1973

(Canada, by Provinces)

|               | THEATRES                  |                                                                         |                                                          | DRIVE-INS                 |                 |                                                      |                  |
|---------------|---------------------------|-------------------------------------------------------------------------|----------------------------------------------------------|---------------------------|-----------------|------------------------------------------------------|------------------|
|               | (1)                       | (2)                                                                     | (3)                                                      | (4)                       | (5)             | (6)                                                  | (7)              |
|               | Popu-<br>lation<br>(000s) | Seating<br>Capacity,<br>including<br>'walk-in'<br>seats in<br>drive-ins | Seating<br>Capacity<br>per 1000<br>population<br>(2)÷(1) | Utili-<br>zation<br><br>% | Car<br>Capacity | Car<br>Capacity<br>per 1000<br>population<br>(5)÷(1) | Utili-<br>zation |
| CANADA        | 22,125                    | 650,851                                                                 | 29                                                       | 15 *                      | 133,435         | 6                                                    |                  |
| Newfoundland  | 541                       | 8,096                                                                   | 15                                                       | 18                        | nil             | nil                                                  |                  |
| P.E.I.        | 115                       | 2,738                                                                   | 24                                                       | 19                        | 2,240           | 19                                                   |                  |
| Nova Scotia   | 806                       | 23,049                                                                  | 29                                                       | 13                        | 4,292           | 5                                                    | DATA             |
| New Brunswick | 652                       | 15,759                                                                  | 24                                                       | 16                        | 5,120           | 8                                                    | NOT              |
| Quebec        | 6,084                     | 183,379                                                                 | 30                                                       | 13                        | 16,847          | 3                                                    | AVAI-            |
| Ontario       | 7,958                     | 209,746                                                                 | 26                                                       | 15                        | 53,725          | 7                                                    | LABLE            |
| Manitoba      | 998                       | 30,141                                                                  | 30                                                       | 14                        | 7,428           | 7                                                    |                  |
| Saskatchewan  | 908                       | 38,000                                                                  | 42                                                       | 12                        | 10,316          | 11                                                   |                  |
| Alberta       | 1,685                     | 65,127                                                                  | 39                                                       | 18                        | 16,155          | 10                                                   |                  |
| B.C.          | 2,320                     | 69,298                                                                  | 30                                                       | 16                        | 17,312          | 8                                                    |                  |
| Yukon and NWT | 58                        | 2,888                                                                   | 50                                                       | 33                        | nil             | nil                                                  |                  |

\* 16% in 1974.

(Sources: Capacity and Utilization: Statistics Canada,  
Catalogue #63-207;  
Population: Statistics Canada, Census Division.)

TABLE 4 (continued)

Comments:

- i. Some drive-ins in Ontario and Saskatchewan provide 'walk-in' seating; in 1973, there were 270 'walk-in' seats in Ontario and 100 in Saskatchewan; these figures have been added to those for theatres in the above tabulation.
- ii. Motion-picture theatres in the western provinces and the Yukon and Northwest Territories generally have a higher seating capacity per 1000 inhabitants than those in central and eastern Canada; comparing seating capacity of theatres with seat utilization, the figures for Saskatchewan, Alberta, Newfoundland, and the Yukon and Northwest Territories vary significantly from the Canadian average.
- iii. Note the high car capacity of drive-ins in Prince Edward Island and the high utilization and seating capacity of theatres in the Yukon and Northwest Territories.
- iv. The United Nations Statistical Year Book for 1974 published interesting data on seating capacity in theatres, by countries:

Seating-capacity/1000 Inhabitants (Selected Countries - 1972 Data)

|                |                |
|----------------|----------------|
| Canada         | 31 (1970 data) |
| France         | 37             |
| United Kingdom | 22             |
| United States  | 49 (1970 data) |
| India          | 16             |
| Australia      | 37             |

(The low figure for the United Kingdom is generally attributed to competition from high-quality television programming).



TABLE 5

WORLD AND U.S. FILM BILLINGS, 1963-1974

The table that follows presents a historical record of billings of films released only by members of the Motion Picture Association of America. The numbers are adequate, to illustrate overall trends

(\$ Million U.S.)

|      | WORLD    |      | U.S.     |       | WORLD LESS U.S. |      |
|------|----------|------|----------|-------|-----------------|------|
|      | BILLINGS | +/-  | BILLINGS | +/-   | BILLINGS        | +/-  |
| 1963 | 532.4    | %    | 239.4    | %     | 293.0           | %    |
| 1964 | 583.1    | 9.5  | 263.2    | 9.9   | 319.9           | 9.2  |
| 1965 | 630.7    | 8.2  | 287.2    | 9.1   | 343.5           | 7.4  |
| 1966 | 680.9    | 8.0  | 319.5    | 11.2  | 361.5           | 5.2  |
| 1967 | 713.3    | 4.8  | 355.9    | 11.4  | 357.8           | 1.0  |
| 1968 | 711.3    | -0.3 | 372.3    | 4.6   | 339.0           | -5.2 |
| 1969 | 665.8    | -6.4 | 317.4    | -14.8 | 348.4           | 2.8  |
| 1970 | 741.9    | 11.4 | 381.3    | 20.1  | 360.4           | 3.4  |
| 1971 | 683.7    | -7.8 | 336.7    | -11.7 | 347.0           | -3.7 |
| 1972 | 815.0    | 19.2 | 426.4    | 26.6  | 388.6           | 12.0 |
| 1973 | 819.4    | 0.5  | 390.5    | - 8.4 | 428.9           | 10.4 |
| 1974 | 1,047.4  | 27.8 | 543.9    | 39.8  | 501.6           | 16.9 |

TABLE 5 (Continued)

|                    | <u>Net Growth-1963-1974</u> | <u>Annual Compounded growth<br/>1963-1971</u> |
|--------------------|-----------------------------|-----------------------------------------------|
| WORLD (current \$) | 96.7%                       | 6 1/3%                                        |
| WORLD (1963 \$)    | 22.2%                       | 1 5/6%                                        |
| US (current \$)    | 128.0%                      | 7 3/4%                                        |

(Source: Variety, June 25, 1975)

## 2.6 A Market Forecast

As has been shown in Table 3, the number of paid admissions in Canada to movie-theatres and drive-ins combined has been generally declining since the 1950's. Paid attendance in 1973 was the lowest ever. Estimates for 1974 suggest a marginal increase over 1973 of about 1½%. A marginal overall growth rate seems to be an inevitable long-term prospect, barring unforeseen developments, but the drive-in demand may not yet have reached the saturation level.

Nevertheless, receipts from admissions continue to grow from higher admission fees. Estimates for 1974 suggest a 15% increase over 1973.

According to the United States Department of Commerce,<sup>(7)</sup> the upward trend of movie-attendance in the past few years in the United States is continuing. Box-office receipts in 1975 were expected to amount to nearly \$2 billion, a 15% gain over 1974, a year in which they were spread over a larger number of films than in 1972, indicating an increasing and more selective interest. Should present trends continue, the Department is of the opinion that box-office receipts would increase

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(7) U.S. Industrial Outlook, 1975.



to about \$3.1 billion by 1980, reflecting an average annual increase of about 10% from 1974 to 1980.

In 1975, Canadian after-tax receipts may be about \$200 million, reflecting a similar growth to that in the U.S. Applying the forecasts of the U.S. Department of Commerce to the Canadian box office, Canadian after-tax receipts in 1980 could be about \$320 million, just about 10% of the Departments estimate for the U.S. of \$3.1 billion.

## 2.7 Origins of Feature Films

The Canadian theatrical commercial market for film is predominantly (96%) supplied by imports, mainly from the United States. The breakdown, by country of origin, of new feature-films distributed in Canada in 1973 was as follows <sup>(8)</sup>:

|                |                    |
|----------------|--------------------|
| Canada         | 4%                 |
| United States  | 44% <sup>(9)</sup> |
| France         | 17%                |
| United Kingdom | 8%                 |
| Italy          | 10%                |
| Other          | 17%                |

The total number of feature films distributed was 811, of which 777 were in colour and 34 in black-and-white. Of these films, 402 were in English, 319 in French, and 90 in other languages.

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(8) Source: Statistics Canada, Catalogue #63-207

(9) For Foreign consumption of Hollywood film-products, see Table 6

TABLE 6

## HOLLYWOOD'S 15 MAJOR FOREIGN MARKETS - 1963-1974

(Rankings Based on Data from Motion Picture Export Association of America)

| Country        | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|
| CANADA         | 6    | 5    | 4    | 3    | 3    | 3    | 3    | 4    | 3    | 3    | 2    | 1    |
| Italy          | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 1    | 2    | 1    | 2    |
| Australia      | 8    | 8    | 7    | 8    | 8    | 7    | 8    | 7    | 7    | 7    | 7    | 3    |
| Japan          | 5    | 6    | 6    | 6    | 6    | 5    | 5    | 6    | 6    | 5    | 6    | 4    |
| United Kingdom | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 2    | 1    | 4    | 5    |
| West Germany   | 3    | 3    | 3    | 4    | 5    | 6    | 6    | 5    | 5    | 6    | 3    | 6    |
| France         | 4    | 4    | 5    | 5    | 4    | 4    | 4    | 3    | 4    | 4    | 5    | 7    |
| Spain          | 7    | 7    | 8    | 7    | 7    | 8    | 9    | 9    | 9    | 8    | 10   | 8    |
| South Africa   | 11   | 11   | 10   | 9    | 10   | 10   | 11   | 10   | 11   | 11   | 8    | 9    |
| Brazil         | 10   | 10   | 11   | 10   | 9    | 9    | 7    | 8    | 8    | 9    | 9    | 10   |
| Mexico         | 9    | 9    | 9    | 11   | 11   | 11   | 10   | 11   | 10   | 10   | 11   | 11   |
| Sweden         | 15   | 13   | 13   | 13   | 12   | 13   | 12   | 13   | 13   | 13   | 12   | 12   |
| Argentina      | 12   | 12   | 12   | 12   | 13   | 12   | 13   | 12   | 14   | 17   | 15   | 13   |
| Venezuela      | 14   | 15   | 16   | 15   | 17   | 16   | 15   | 14   | 12   | 12   | 14   | 14   |
| Netherlands    | 22   | 19   | 19   | 18   | 20   | 20   | 20   | 17   | 19   | 14   | 16   | 15   |

(Source: VARIETY, 25 June 1975)



## 2.8 Imports, Exports, and Re-exports of Film Products

Statistics Canada publishes figures for imports, exports, and re-exports of film products in 'Imports by Commodities - Catalogue #65-007' and 'Exports by Commodities - Catalogue #65-007'. Unfortunately, these reports are not sufficiently detailed to provide figures of individual types of film product with which this study is concerned; for example, video disks are submerged in Classification #637-90 'Phonograph Records and Blanks', while videotapes are included in a very large group entitled 'Commerical Telecommunication Equipment n.e.s.', (10) and so on. Appendix I gives the value of imports and exports (including re-exports) for commodity-groups from 1970 to 1974, with some information for 1975.

Two of the commodity groups are of particular interest, since they appear to relate specifically to film products; these are:

- 995-85, Motion Picture Film Not Sold and Exposed: and
- 918-13-21, Motion Picture Film (Educational).

Data on educational film are at present available only in the internal records of Statistics Canada, but publication in 1977 is expected.

In Appendix I, against Code # 995-85 (Motion Picture Film Not Sold and Exposed), the figures show over \$3 million for imports and over \$5 million for exports in 1974, but at present neither Statistics Canada nor Revenue Canada (Customs and Excise) has been able to substantiate or clarify why exports exceed imports when in reality the reverse seems to be true; the matter is being pursued by Statistics Canada.

## 2.9 Film Rental Payments Abroad

Film rental payments by Canada to other countries at present amount to some \$40 million a year, 95% of which goes to the United States. Table 7 gives figures derived from a special survey of business-service transactions with other countries, which was undertaken by Statistics Canada as a supplement to their regular balance-of payments surveys for 1969 and 1973.

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(10) 'n.e.s.' = 'not elsewhere specified'.

TABLE 7

FILM RENTAL PAYMENTS ABROAD

(\$ Millions)

A. Film Rental Payments by Area - 1969 and 1973

|        | <u>1969</u>         | <u>1973</u> |
|--------|---------------------|-------------|
| U.S.   | 28.9                | 38.8        |
| E.E.C. | -                   | 0.9         |
| U.K.   | 2.0                 | 0.4         |
| Other  | 0.4 <sup>(11)</sup> | 0.4         |
|        | <u>31.3</u>         | <u>40.5</u> |

B. Film Rental Payments by Country of Control - 1973

|                  | <u>Affiliates</u> | <u>Non-affiliates</u> | <u>Total</u> |
|------------------|-------------------|-----------------------|--------------|
| Canadian control | -                 | 7.3                   | 7.3          |
| U.S. control     | 30.9              | 2.3                   | 33.2         |
| U.K. control     | -                 | -                     | -            |
| Other control    | -                 | -                     | -            |
|                  | <u>30.9</u>       | <u>9.6</u>            | <u>40.5</u>  |

(Sources: 1969 - Statistics Canada, Catalogue #67-20, 'The Canadian Balance of International Payments, 1965-70';  
1973 - Statistics Canada, Catalogue #11-001E, 14 July 1975).

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(11) Other O.E.C.D. Europe; the United Kingdom did not become a member of the E.E.C. until 1974.



These data are supported by the gross billings from the Canadian market reported by members of the Motion Picture Export Association of America (See Table 8).

TABLE 8

GROSS BILLINGS - CANADIAN MARKET - 1963-1973

(U.S. \$ Millions)

|      |        |
|------|--------|
| 1963 | 16.8   |
| 1964 | 21.1   |
| 1965 | 23.2   |
| 1966 | 26.4   |
| 1967 | 28.1   |
| 1968 | 30.0   |
| 1969 | 27.7*  |
| 1970 | 27.4   |
| 1971 | 29.4   |
| 1972 | 38.7   |
| 1973 | 39.2** |

(Source: VARIETY, 10 July 1974.)

\* cf. Table 7 - Can. \$ 28.9 million.

\*\* cf. Table 7 - Can. \$ 38.8 million.

Comments

- i. Film rental payments by Canada to the United States have more than doubled during the past decade.

2.10      'Shorts'

Shorts are in high demand for use on television and in movie-theatres, and the supply is limited. In 1973, 142 'shorts' were released for theatrical bookings in Canada, of which 40% were cartoons, 40% newsreels, and 20% miscellaneous. Most of the newsreels (90%) were in French, and most of the cartoons (77%) were in English. Of all the short-subject films released for theatrical bookings in Canada in 1973, 96% were of 35mm gauge.

It is understood that most distributors would prefer not to handle 'shorts', which are too costly for the revenue they produce. Payment is by a weekly fixed amount, and the fortunes of the 'short' in the commercial market are tied to those of the feature film with which it is shown; if the latter 'bombs' so does the 'short'.

2.11      Distribution and Exhibition

From production to the public viewing of a film is a long and often involved process, in which the distributor acts as marketing agent for the producer and as supplier to the exhibitor. Motion-picture distributors may be regarded as the wholesaler, and exhibitors as the retailers of the consumer commodity known as film products.



Although a separate study on Film Distribution is being made, it may be helpful to mention here the four basic types of arrangements entered into between distributors and exhibitors; these are:

- a. a 4-wall deal, by which the distributor rents a theatre outright from an exhibitor for a fee, and retains all the box-office revenue;
- b. a cash guarantee paid in advance by the exhibitor to the distributor with provision for a refund in case the film is an out-and-out failure;
- c. a cash sale, by which the exhibitor acquires specific exhibition rights and retains all box-office revenues received during a stated period of time; and
- d. a sliding scale percentage arrangement between the distributor and the exhibitor, under which the receipts of the latter increase as the run of the film extends; this is the most common of these four arrangements.

There are some 80 distribution companies in Canada, with 140 exchange offices and approximately 1,420 cinema exhibition outlets. Most major distributors deal with all the exhibition chains, and supply films on a footage basis.

## 2.12 The French-language and English-language Markets

Despite the substantial development of Canadian film production since the end of the 1960's, the markets for French-language and English-

language Canadian productions have largely remained quite separate, a situation that continued into 1974. Few French-language films produced in Québec are shown in other provinces, while English-language films made in other parts of Canada seldom reach the Québec market. The few that do are generally limited to viewing in Montreal movie-theatres.<sup>(12)</sup>

## 2.13 Profitability and the Canadian Film Industry<sup>(13)</sup>

The average cost of one print of a feature-film is \$1,000. Approximately twenty prints are required to secure adequate distribution of a feature-film across Canada; this represents an investment of \$20,000, an amount that is often not available for the distribution of a film made in Canada. Furthermore, according to John Ross, President of Robert Lawrence Productions, it is almost impossible to make money on a Canadian film if distribution is limited to Canada.

Investment in a feature film has a very high inherent risk-factor, and only nominal returns can usually be expected. At the present time, the major corporations in this industry are experiencing net profits of no more than 5% of revenues. The theatrical revenue of a typical feature film is maximized during its first year of distribution.

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(12) In 1974, the Québec Government began a study of theatre exhibition in that Province, with data items similar to those in the two annual Statistics Canada reports - 'Motion Picture Production: Catalogue #63-206' and 'Motion Picture Theatre and Film Distributors; Catalogue #63-207'. Cards entitled 'Projection cinématographique' furnish monthly data about commercial theatres and drive-ins in Quebec. Each card indicates the number of operating establishments, gross profits during the period of the survey, gross receipts for the current year, and the numbers of spectators.

(13) Some of the material in this section was drawn from a brief by the Canadian Motion Picture Distributors Association to the Ontario Government, October 1975.



In Canada, a film that is reasonably well received may average a revenue of \$400,000 in this period, which provides little hope of recouping the costs of production and exploitation, very conservatively estimated at \$1 million or more, from the Canadian market. In fact, the Canadian film-production industry is able to survive economically only because of the proceeds from commercials, commercial documentaries, and films sponsored by industry.

On the basis of internationally accepted standards for the film industry, Canada represents only 4% of the total world-market for any major feature film production, a share that would only in rare cases make it possible to recover costs, let alone to earn a profit with which to finance the next production. Future decisions must be based on the premise that a major feature film must be able to hold its own in the export market; it must be able to compete with the products of the film industries in other countries. It should be recognized, however, that the Canadian industry is entering into competition with foreign industries throughout the world which are already firmly established. The leaders of the Canadian film industry must become sufficiently knowledgeable and skillful to face this competition with marketable standards, and acquire a capability to incorporate all the other ingredients needed to ensure a reasonable chance of success.

#### 2.14 Innovations and New Developments

The following innovations and new developments have been identified as of interest or concern in the marketing of film products to the theatrical commercial market.

### The Subscription Series

The subscription series, which is a recent development in the United States, attempts to reach a particular market of viewers interested in contemporary classics of the theatre. Films are shown for one or two days each month at specific movie-theatres. Current plans for this expanding innovation contemplate the inclusion of children's classics in future series.

### The Outside Corporate Financier

A new element in the production of feature films in the United States is the emergence of industrial and commercial corporations as financiers. It is reported that a number of corporations that have no connection with the entertainment industry have become investors in feature-film production. Companies such as General Electric and Xerox are said to be financing productions, their interest being centered on family-type movies rated G or GP.

### Competition from the Television Networks

A trend that has developed since about 1970 is the entrance of the television networks in the United States into the feature-film market. The feature films that they produce are shown first on television and later released to the theatrical commercial market, thus reversing the practice that has hitherto been normal. The impact so far has not been significant to any major extent, but it is a factor that may have to be reckoned with in the future.

### Co-productions

There has reportedly been a large increase in co-productions in recent years.



### 3. TELEVISION

#### 3.1 Patterns of Television-viewing in Canada

Canadians watch television for an average of 22 to 24 hours a week throughout the year. A youngster, by the time he or she finishes high-school, will on average have watched 18,000 hours of television - more than the total time spent in classrooms, in Sunday-school, and in every other form of educational exercise.

In July 1973, the Research Department of the Canadian Broadcasting Corporation (CBC) made an exhaustive study that summarized certain familiar but hitherto uncoordinated general audience-patterns and trends <sup>(15)</sup>; the principal findings of that study were:

- i. Throughout Canada, television-viewing continues to be an important leisure-time activity; there is no evidence of declining public interest in television.
- ii. On the other hand, there is no indication that either the expansion of cable television, or the increased numbers of both colour and black-and-white television sets per home, have resulted in more television-viewing per capita; in fact, the time spent per capita by the public as a whole, and by different segments of the public, in watching television had remained almost unchanged during the past four years.
- iii. The adult television-viewing pattern is skewed; there are wide variations both in the amount of time different people devote to television and in their viewing-patterns throughout the day.

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(15) 'Patterns of Television Viewing in Canada', CBC, July 1973

- iv. The 20% of viewers who watch television the most account for close to 40% of all viewing, while the 20% who watch least account for only about 6%.
- v. Women spend more time watching television than men, by some 3½ hours a week per capita.
- vi. Age and occupation are determining factors: the elderly (over 65) view more than the average adult; adult students view much less than the average adult, as do preoccupied young adults in the 18-24 age-group.
- vii. Time spent watching television is inversely related to the educational level of the viewer.
- viii. Children under 12 watch less television than the average adult.
- ix. Francophone Canadians tend to watch more television than Anglophone Canadians.
- x. Variations in climate, levels of industrialization and urbanization, and the variety of programming available are factors in the amount of time spent watching television.
- xi. The habits and patterns of television-viewing appear to be remarkably stable; probably the main stabilizing factor is the relatively rigid routine followed by most people in their daily habits of life.
- xii. Barring some unexpected shift in general leisure-time interests and activities, the general patterns of television-viewing will probably not be very different at the end of the current decade from what they are today.

### 3.2 Popular Taste and Attitudes

It is a challenging reality that, with some few exceptions, Canadians generally prefer to watch American rather than Canadian programs. Although a 1973 Gallup Report <sup>(16)</sup> clearly indicated that a majority of Canadians (59%) feel that their culture and way of life are being too much influenced by American television programming, Canadians insist on watching more and more American programs.

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(16) 'Canadian Institute of Public Opinion', 30 May 1973



North American audiences, as a whole, have shown a marked preference for 'series-drama' over other forms of program in prime time; the American networks consequently purchase very few 'music-variety series'. Canadian viewers, like those in Europe, still enjoy music programs, perhaps because they are offered a wide range by their own networks. Music is an economical form of programming in relation to the cost of the necessary facilities and talent.

In February 1974, the Research Department of the CBC made a study of public attitudes to television; <sup>(17)</sup> a summary of the findings follows.

"One of television's main appeals is that it helps the viewer relax - and the more you view, the more you tend to feel this way. However, it is a minority of the adult population that feels this is the only or even the main appeal of television: it is also felt to have other functions.

Close to half the population of both English and French Canada feel that television has an information or news function for them. English Canadians, however, are more oriented to print than to television for the satisfaction of this need, French Canadians much more oriented to television. In both language groups the less educated viewers are more oriented to television, the more educated to print. In the news field, television's main strengths are seen to lie in its easier comprehensibility, and in the reporting of national and international events; other media are preferred for news on local affairs.

Many English Canadians feel that television has an ombudsman or watchdog function: about one-third of them feel this strongly. French Canadians tend not to feel this to nearly the same extent. In each case, those who do perceive television in this way tend to be the older, least educated members of society - i.e. those who watch television the most....

Most people seem, generally, to be satisfied with television. None of the criticisms that we put to respondents was endorsed by large majorities. Nonetheless, it is clear that fairly large minorities of people are critical of certain aspects of television - at least to some degree.

Thus, while there is no widespread feeling that television is a 'trap', a time waster, something to have guilt feelings about, yet about 10-15 per cent of people do often feel this quite strongly.

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(17) What the Canadian Public Thinks of Television, CBC 1974.

Many people are also concerned with what they see as the bad social effects of television: violence, undue emphasis on sex, providing bad examples to children. About two-fifths of English Canadians, and one-fifth of French Canadians, are much concerned about this. Older, less educated English Canadians express this concern especially strongly.

There is an ambivalent feeling about the general effects of television on children. On the one hand, it is one strain in a more general concern about the bad social effects of television. Many people - between 45 and 50 per cent in both English and French Canada - feel that television shows programs that are unsuited to children during hours when children are likely to be viewing; and there is quite widespread feeling that in general, children watch too much television. On the other hand, there is general approval of the important role of television in keeping children amused.

There is a quite widespread unfavourable attitude toward television commercials which extends, in the case of about 15 per cent of viewers (12 per cent in English Canada, 17 per cent in French Canada) to a feeling of downright hostility. This critical attitude towards commercials is shared even by many people who are quite favourably disposed towards the institution of advertising per se.

English Canadians (to a substantially greater extent than French Canadians) are also somewhat concerned about what they feel to be their lack of personal control of television - of both its content and the one-way nature of its communication process."

### 3.3 Program Content

All television stations in Canada submit a daily return to the Canadian Radio-Television Commission (CRTC), extracted from their program-logs, indicating the proportion of broadcast-hours by type of program presented. The 14 program categories are:

News and News Commentaries

Community and Special Events

Public Affairs



Religion

Education - formal  
              - informal

Music and Dance

Drama, Story and Light Verse

Quiz Games

Variety, Review and Music Hall

Music and Dance Programs - classical

Drama, Poem and Story Programs

Critical Evaluation - Arts, Literature  
and Public Affairs

Science Programs

Sports

The raw data for these categories are available in the CRTC databank, but the computer-program to extract the actual proportions has not yet been written. However, the CRTC could, on request and given time, produce the information.

On 26 November 1975, THE GAZETTE (Montreal) was able to publish actual figures on network programming for the year ended 31 March 1975; these were the main points:

- The CBC English network ran just under 406 hours of 'Sports' out of a total of 2,763 hours of programming between 6 a.m. and midnight, or 13.5% of total network programming
- The English and French networks of the CBC devote more time to 'Sports' than any American network, including ABC - the most sports-minded of the three commercial networks in the United States

- The largest program category on the CBC English network was 'Drama, Poem and Story'
- 'Education (formal and informal)' accounted for 22% of all CBC programming, followed by 'Public Affairs' with 19%
- On the CBC English network, 'News and News Commentary' registered an astonishingly low 5.1%
- On the CBC French network, 'Sports' accounted for 13%; 'Drama, Poem and Story' for 40.8%; 'Education' for 8.5%; 'Public Affairs' for 15%; and 'News and News Commentary' for 4.6%
- On the CTV network, 5 % of programming was devoted to 'Sports'

The ratio between informational and entertainment programming in certain European television networks is given, for comparison, in Table 9.

TABLE 9

EUROPEAN TELEVISION NETWORK PROGRAMMING

|               | <u>Network</u> | <u>Information</u> | <u>Entertainment</u> |
|---------------|----------------|--------------------|----------------------|
| France        | ORTF           | 50%                | 50%                  |
| Italy         | RAI            | 51%                | 49%                  |
| West Germany: | ARD            | 38%                | 62%                  |
| :             | ZDF            | 38%                | 62%                  |
| U.K. :        | BBC            | 46%                | 54%                  |
| :             | ITV            | 34%                | 66%                  |

(Source: Sight & Sound, Summer 1974)

### 3.4 Origins of Programs

On the basis of returns received by the CRTC from all television stations in Canada, the breakdown of broadcast hours by country of origin of program production for the year ended 30 September 1974 is shown in Table 10.



TABLE 10

ORIGINS OF TELEVISION PROGRAMS BROADCAST IN CANADA

(Year ended 30 September 1975)

|                | <u>6 a.m. to<br/>midnight</u> | <u>6 p.m. to midnight<br/>(prime time)</u> |
|----------------|-------------------------------|--------------------------------------------|
| Canada         | 62.9%                         | 59.2%*                                     |
| United States  | 30.2%                         | 33.7%                                      |
| United Kingdom | 2.4%                          | 3.7%                                       |
| France         | 2.4%                          | 2.1%                                       |
| Other          | 2.1%                          | 1.3%                                       |
|                | <hr/>                         | <hr/>                                      |
|                | 100.0%                        | 100.0%                                     |
|                | <hr/>                         | <hr/>                                      |
|                | (437,663 hours)               | (170,078 hours)                            |

\* Five years ago, CBC television programming in prime time was 52% Canadian, today it is about 70%.

(Source: CRTC; earlier figures are not available.)

Canadian television stations annually provide foreign programming, of which approximately 90% is American, with a value of about \$40 million.

### 3.5 The Economic Background

An excellent paper,<sup>(18)</sup> which was prepared by some ten researchers, was presented in August 1975 at a symposium on television-violence organized by the CRTC. The following extracts from that paper succinctly portray the economic background of television in Canada.

"Economic factors play an important role in any consideration of the amount and the nature of programming which appears on Canadian TV screens. Such factors as the relative size of the Canadian and American markets, the nature of program importation and co-production undertakings, and the competitive situation which exists between Canadian networks and those of the U.S. in cabled and border areas, all have an effect on what Canadians actually view, as well as what types of program are produced here.

For example, the Canadian commercial broadcaster is influenced in his purchasing and scheduling decisions by the overall merchandising strategies of the American broadcasters and program production companies, with whom he often competes, or uses as a program supplier.

The dramatic difference in market size, and thus the potential revenue versus production costs, make the 'produce or purchase' option very much a question of economics for Canadian broadcasters. An hour-long U.S. action/adventure film series generally recoups its production costs through its U.S. network sale. Further, an American network can ask upwards of \$100,000/minute for advertising messages, guaranteeing exposure to an average of 20 m. viewers in prime time. Affiliate fees and distribution costs for the given network, when added to the purchase and production costs, yield a far lower margin in both percentage and real dollar terms in Canada. Such economic realities mean that programming purchased outside Canada in effect subsidises the production of domestic programming for a commercial network...

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(18) 'Economic Realities of Canada Production'.



The dominance of the U.S. supplier comes about by the similarity of the English speaking markets and the availability of what can be considered 'pre-sold programming'. Co-producing such series can be considered because it lessens the investment needed by the Canadian network.

To provide alternative, yet complementary types of Canadian drama, the commercial networks in both French and English Canada have tended to opt for the situation comedy (télérromans) quasi-soap opera form of studio drama. Producers feel that this is an area in which Canadians can better compete, where costs are considerably lower, and where domestic situational themes may be better explored.

Without outside forms of subsidy, only the CBC can afford to produce hour-long action/adventure formats similar to those made in the U.S. or Britain. It also can provide a more varied diet of TV drama which is virtually unknown on American commercial networks.

Expansion of the market through export sales is not a general phenomenon and such sales do not represent a major addition of revenues to the Canadian broadcasting system. On the whole, when programs produced in Canada are exported, they have been co-produced with foreign and Canadian capital.

The margins available from a Canadian production are insufficient for them to exist in a schedule without the revenue available from foreign programs. This is not the case for the major private French language station in Québec. It uses few imported series and achieves high viewership and adequate profitability with its own relatively low cost production."

At the same symposium on television violence, Ralph Ellis, President of Keg Productions Ltd. and Ralph C. Ellis Enterprises Ltd., suggested a possible solution to the problem:

"One way out of this problem could be provision of a special government subsidy on a two dollar for one dollar matching basis for TV networks and major stations in Canada for the production of dramatic TV series. Using Canadian talent and private production companies as a condition of the subsidy such a plan could assist in the development of a healthy Canadian production industry producing programs on both film and videotape.

This would also allow a basic supply of programming not now available free from the excessive violence being questioned at this symposium.

Without a subsidy of the mentioned above there is little hope for private producers and networks to make other than what will sell in the U.S. and success in that market while never assured is only really possible with dramatic series made with an equivalent amount of conflict and violence."

This suggestion by Ralph Ellis was echoed by John Graham, Chairman of the Canadian Cable Television Association, in an article in THE FINANCIAL POST on 25 October 1975, in which he forecast that the federal Government will move in the direction of funding Canadian television programming on a scale not hitherto seen.

### 3.6 Cable Television and Pay-TV

Cable-television undertakings that make use of a radio-receiving antenna (also known as Community-Antenna Television, CATV, undertakings) are subject to federal jurisdiction because they make use of radiocommunication. <sup>(19)</sup> A point to be borne in mind is that the CRTC probably has no authority to regulate closed-circuit cable undertakings that do not make use of a radio-receiving antenna. The Broadcasting Act refers to CATV undertakings (which previously required only a radio licence) as 'broadcast receiving undertakings' and requires the operators to hold broadcasting licences; since 1968, when the Act came into force, they have been regulated by the CRTC as an integral part of the Canadian broadcasting system.

A computer-assisted analysis of the television-audience situation in Canada, <sup>(20)</sup> which was done towards the end of 1971,

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(19) 'Radiocommunication' has been judged by the courts to be exclusively subject to federal legislative authority.

(20) Cable TV and Audience Fragmentation, Research Department, CBC, 1971/72



reached the following main conclusions:

- " 1) By the end of 1971, close to four-fifths of the population were located in areas of the country where cable TV services were available. By this date, people who were watching television via cable accounted for just under a third of all viewers in these areas - or, in total population terms, just under a quarter (24.3 per cent) of all persons in the country aged 2-plus. This marks about a 10 per cent growth rate in cable penetration over the preceding twelve months, a 77 per cent growth rate over the preceding three years.
- 2) On the basis of past trends and supplementary information from other sources, it is estimated that cable penetration of the country as a whole will reach the 46 per cent level in five years' time, i.e. by the end of 1976, and the 64 per cent level in ten years' time, i.e. by the end of 1981. In those provinces which currently have the highest usage of cable TV per capita (British Columbia, Ontario and Manitoba) it is forecast that, by 1981, cable penetration will in each case have topped the 80 per cent mark.
- 3) There is no evidence that, in general, people who become cable viewers, and who are hence able to avail themselves of the additional channels that cable TV brings, spend any more time watching television than they did before. Rather the total amount of time spent watching remains virtually unchanged and is re-distributed among the several stations, pre-cable and post-cable, that now seek shares of the total audience.
- 4) In so enabling viewers to watch stations that they would not otherwise have been able to receive, the major impact of cable TV on television viewing in Canada has been greatly to increase the amount of time spent watching U.S. stations. Currently (end of 1971) these U.S. stations have a total share of 19 per cent of all viewing in the country, or 25 per cent of all viewing of English-language stations.
- 5) Largely because of the monopoly or near monopoly that they had of local area audiences pre-cable, the stations to lose most as a result of cable expansion have been the CBC English-language affiliates. In contrast, the CBC-owned English-language stations have suffered scarcely at all under the impact of cable TV, located as they were, pre-cable, in areas where audiences were already fragmented and where other stations were available to share

the brunt of audience competition from new cable channels. The CBC-owned English-language stations have also benefited more than the affiliates from the direct interchange of audiences in those cases where they have intruded, via cable, into each other's coverage areas.

6) There are also indications that these CBC-owned stations have in general, been better able than the English-language affiliates to resist the competitive intrusion of U.S. cable channels, partly because of the greater distinctiveness of some of their programs - i.e. because of the greater dissimilarity in character of these programs from the bulk of the U.S. shows on the new channels introduced by cable.

7) While it is true that there are parts of the country where the impact of cable television has left the audience share situation unchanged, these are exceptional areas where (as in Toronto and in some adjacent areas) all three U.S. network services were already available to local residents directly off-air, either unaided or by means of outside antennae, and cable when it came served essentially to provide better reception of already available channels.

8) As with the English-language stations, the CBC-owned French-language stations have suffered much less under the impact of cable TV than have the CBC French-language affiliates - largely for the reasons noted in 5) above.

9) A more general trend is reflected in a change in the balance of English-French viewing in the direction of more time being spent, even by the French-speaking population, watching English-language stations and less time watching French-language stations. The expansion of cable TV services among Francophones would appear to have had some influence in this regard, but it is clear that other factors are involved.

10) Failing remedial action by regulatory intervention, by changes self-imposed by the broadcasting or cable industries, or resulting from the establishment of new Canadian stations and/or networks, there would seem every reason to suppose that, as cable TV expands in the future, so those audience trends noted above will continue.



There has recently been a widespread renewal of interest in Pay-TV. Some services were introduced in the United States soon after television was initiated, but lack of public acceptance, high technological costs, and difficulties in obtaining program rights led to their early demise. An experimental Pay-TV system introduced in Etobicoke, Ontario, some years ago was also unsuccessful.

The prospects for profitable Pay-TV systems are much brighter today with the enormous growth of cable-television systems. Pay-TV is flourishing in several parts of the United States, particularly in California. In Canada, the CRTC has not yet granted any licences to Pay-TV undertakings, but is actively engaged in developing a policy in that regard. There can be little doubt that Pay-TV will be available in Canada, at least in the larger cities, within a very few years: its potential is tremendous. It is possible, in fact, that the Pay-TV market which is likely to develop may be the saviour of the feature-film production industry, even though its impact may be negative on movie-theatres.

The growth of cable television has had a serious effect on over-the-air broadcasters by making American programming more generally available to Canadian viewers, and thereby reducing the audience-ratings on which Canadian broadcasters rely for revenue. An estimate made by Harry J. Boyle, Chairman of the CRTC, in an article in THE FINANCIAL POST on 24 January 1976, suggests that, since 1950, border stations in the United States have received probably more than \$250 million in revenues from Canadian advertisers, and that the present annual drain has reached about \$20 million; this represents some 10% of total Canadian television advertising revenue in 1974. Two major steps have been taken to remedy this situation: the CRTC has authorized, and in some cases ordered, cable-television operators to delete commercial announcements from American signals (the matter is at present awaiting a hearing by the

Supreme Court of Canada); and the Government has introduced legislation in Parliament that would disallow the costs of advertising on television stations in the United States for income-tax purposes.

There are three major areas of concern for the CRTC with regard to the continuing impact of cable-television and the probable future impact of Pay-TV; these are:

- a. the further fragmentation of the audiences on which Canadian broadcasters depend for their revenues;
- b. the potentially indiscriminate importation of foreign programs with damaging effects on the broadcasting industry similar to those suffered by the Canadian film-production industry; and
- c. the siphoning-off of broadcast programming to those who can afford Pay-TV.

### 3.7 Innovations and New Developments

#### The Video Disk

Two major manufacturers, Philips-MCA and RCA Corporation will probably introduce varieties of the video disk in the North American market before the end of 1976. The device, which is much cheaper and more flexible than the video cassette, is a kind of record played on a turntable which is connected to an ordinary television set on which the recorded program is displayed. The retail price of a system is expected to be between \$400 to \$800 for the disc player and \$2 - \$10 for a single disc; the two systems are reportedly mutually incompatible. There is no doubt that, when costs are greatly reduced as they are in the production of every technological invention, the video disk, as a form of custom-television not limited to entertainment, represents a potentially enormous market for the production of audio-visual material.



### The Memory Block

An even more potent device than the video disk may be the Memory Block, which could become available within about a decade. A two-inch block of steel, weighing only a few ounces, would carry and reproduce, by instant random access, 60 minutes of sound and picture. By making literally millions of plug-in programs economically available, the Memory Block is likely to have an impact on television similar in scale to that of micro-circuitry on the electronics industry.

### Closed-circuit Television

Mention has already been made of the recent growth in Pay-TV services. A year ago there were only 16,000 subscribers in the United States, but today there are 100,000 or more, and as many as 25 million by 1984 is a prediction by the Stanford Research Institute. But there is another likely development that may have a profound impact on conventional broadcasting. In the not too distant future, it may become profitable, at least in large cities, to dispense altogether with the use of the radio-frequency spectrum and distribute programs directly from the studio to homes by cable; a system of this kind is already in operation in Hawaii. Should this kind of service gain a widespread acceptance in large cities, incalculable problems will face the conventional broadcasters. Another aspect is that a system of this kind operating within a single province may not be subject to federal control over broadcasting.

### The Direct-Broadcasting Satellite

The reception of television signals from today's satellites requires large and expensive receiving antennas. Within a few years, much cheaper antennas will be available, enabling satellite-signals to be received by small communities or even by individual cable undertakings; direct home reception may not be more than about a decade away. These developments, coupled with the introduction

of storage devices such as the Video Disk, and later the Memory Block, will quite evidently have a profound impact on the television industry by the end of the present century.

### 3.8        The Future Market for Canadian Television Production

While the future for television may appear more than usually obscure, there can be no doubt that expansion on an exciting scale is a certainty. The potential market for Canadian television production will therefore be much larger, but it would be unrealistic to ignore the economic realities; in fact, the dominance of producers in the United States may be enlarged by economies of scale. Perhaps the time has come to abandon attempts to compete directly with the giant next door, and for Canadian program producers to concentrate on the things they do best - good documentaries, news, public affairs, and sports programs.



#### 4. SPONSORED FILMS

##### 4.1 The Product and Its Purpose

Sponsored 16mm films, usually up to about a  $\frac{1}{2}$  hour duration, are produced as a form of publicity for a variety of organizations. In most cases, the purpose is to provide an agreeably entertaining vehicle for the projection of a message that is indirectly educational, directly promotional, or even subtly commercial. The sponsor may be an industry, a corporation, an association, or institute, a university or other educational establishment, a religious or professional body.<sup>(21)</sup>

The growing reliance of large segments of the public on visual rather than linear sources of information, which may be regarded as a by-product of the addiction to television, makes the sponsored film a highly effective means of projecting messages. The sponsored film, in fact, is probably the most inexpensive form of mass-communication, even less expensive, for instance, than direct mail. Nonetheless, most public-relations people regard the sponsored film as unexplored territory. Despite the virtually unlimited potential of this medium, sponsors have been cutting expenditures, with the result that there is a world-wide shortage of the product.

##### 4.2 Distribution of Sponsored Films

Sponsored films are generally distributed either directly by the sponsor or through a commercial distributor. Commercial distribution of sponsored films in Canada is a relatively small business. As an example, one major Canadian distributor runs an efficient operation with only nine employees. The method of operation is as follows:

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(21) All levels of government are major sponsors; see Section 6., The Federal Government Market.

- i. The distributor approaches sponsoring organizations with the object of getting them to lodge their stocks with him; a schedule setting out the General Terms of an agreement between distributor and sponsor, supplied by Modern Talking Picture Service, is attached as Appendix II.
- ii. The distributor advertises that he has certain films available at no cost to the borrower, other than return postage. Catalogues are sent to persons and institutions that, in the experience of the distributor, are likely to be interested; the most frequent borrowers include schools, social clubs, travel firms, and television stations.
- iii. The borrower is asked to complete a form giving the number of showings of the film, and the types and sizes of audiences.
- iv. The distributor periodically provides the sponsor with a 'Certificate of Showance'; a specimen certificate, from which the names of sponsor and film have been deleted to preserve confidentiality, is attached as Appendix III.
- v. The sponsor pays the distributor a relatively nominal fee; the following fees are typical:

Education : \$5 per booking  
Television: \$20 per booking  
Theatre : \$15 per play-date

#### 4.3 The Market

Very little information is available about the size of the market for sponsored films. The National List of Advertisers, a MacLean Hunter annual publication, lists clients who have been sponsors of films. Another source of information is the Canadian Source Book of Free Educational Materials.<sup>(22)</sup> A leading distributor estimates that about 10,000 titles a year are commercially handled in Canada. No attempt has been made in this study to measure the volume of films sponsored by governments. Consideration could be given to channel government sponsored films via Canadian companies.

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(22) Published by the Canadian Educational Resources for Teachers  
Box 85, Winnipeg, Manitoba



It is also difficult to determine the origins of sponsored films by countries. Discussions with distributors, however, suggest the following very approximate proportions for commercially-distributed sponsored films in Canada:

United States : 60%

Europe and Japan: 30%

Canada : 10%

5.        THE EDUCATIONAL MARKET

5.1      The Products and the Market Examined

This Section deals with the following products:

16mm film

Videotape

Television broadcasts

8mm film

35mm film strip

35mm slide sets

Audio-visual kits

The educational market examined is confined to the institutionalized education system.

5.2      Market Size

Varying estimates were obtained of the size of the educational market in Canada for audio-visual material.

The only available source of data on the national inventory of educational audio-visual material was last published by MacLean Hunter in the now defunct publication, SCHOOL PROGRESS, in June 1973. Using that information, together with another MacLean Hunter publication, as indicated in Appendix IV, one arrives at an estimate of \$20 million for audio-visual supplies in 1975 and a growth rate of 5% a year.



Some additional data on expenditures and holdings of educational audio-visual material is published by Statistics Canada and are shown in Tables 13 and 14. Table 13 indicates that total expenditures by educational institutions on 'Non-Print' library materials in 1971-1973 were \$6.4 million a year, excluding those of centralized school libraries in Québec, for which data were not available; a truer national figure may be about \$9 million. The Statistics Canada numbers relate to expenditures on non-print materials purchased by libraries at all levels - universities, colleges, centralized school libraries and public libraries. The data is approximately 4 years out of date: the present total could be, even on this limited basis, \$11 million per annum currently. In any case, Statistics Canada coverage is incomplete as it omits expenditure by school boards and is a total of only those who responded to the questionnaire.

On balance, the "SCHOOL PROGRESS" estimate, based on a reportedly reliable sample, is perhaps the most realistic with the qualification that it does include the purchase of blank tapes and of transparencies produced in the classroom. If one excludes these items and adds in the expenditures of colleges, and universities and public libraries, one is looking at a current total annual 'software' market of \$20 million plus.

TABLE 13

| EXPENDITURES BY EDUCATIONAL INSTITUTIONS ON LIBRARY MATERIALS -<br>SELECTED YEARS 1971-1973 |                            |                           |                                                         |                                                                                    |                                    |
|---------------------------------------------------------------------------------------------|----------------------------|---------------------------|---------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------|
|                                                                                             | A<br>UNIVERSITIES          | B<br>COLLEGES             | C<br>CENTRALISED<br>SCHOOL<br>LIBRARIES                 | D<br>PUBLIC<br>LIBRARIES                                                           | E<br>TOTAL<br>(A)+(B)<br>+ (C)+(D) |
| 1) <u>NON PRINT</u><br><u>(AV SOFT-<br/>WARE AND<br/>MICROFILM</u>                          | \$1,196,565*<br>(1971-72)  | \$ 506,607*<br>(1971-72)  | \$3,400,000<br>(1972-73<br>excl. Québec)                | \$1,249,233<br>(1973 AV<br>materials<br>micro materials<br>breakdown<br>available) | \$6,352,460                        |
| 2) <u>PRINT</u>                                                                             | \$27,987,936*<br>(1971-72) | \$3,606,282*<br>(1971-72) |                                                         | \$14,613,213<br>(1973)                                                             |                                    |
| 3) <u>TOTAL<br/>LIBRARY<br/>MATERIALS</u>                                                   | \$29,184,501               | \$4,112,067<br>(1971-72)  | \$18,100,000<br>(1972-73<br>excl. Québec)               | \$15,862,501<br>(1973)                                                             |                                    |
| 4) <u>PER PUPIL</u>                                                                         |                            |                           |                                                         |                                                                                    |                                    |
| PRINT                                                                                       |                            |                           | \$4.85<br>(1973-74<br>excl. Québec<br>and est. Ontario) |                                                                                    |                                    |
| NON PRINT                                                                                   |                            |                           | \$1.42<br>(1973-74<br>excl. Québec<br>and est. Ontario) |                                                                                    |                                    |
| 5) <u>PER CAPITA</u>                                                                        |                            |                           |                                                         |                                                                                    |                                    |
| (P.L. EXPEN-<br>DITURE ON<br>TOTAL<br>LIBRARY<br>MATERIALS)                                 |                            |                           |                                                         | \$0.72<br>(1973)                                                                   |                                    |

Excludes School Boards

\* Estimate

(Sources: Statistics Canada:  
Publications #81-205 and #81-260; and tabulations  
provided by the Education, Science and Culture Division)



TABLE 13 (continued)

Comments:

- i. The figures germane to this study are in the first line - NON PRINT (AV SOFTWARE AND MICROFILM).
- ii. The figure of \$6,352,460 in Column E. can be taken to indicate expenditures in, say, 1972, but it is an under-estimate due to the exclusion of figures for centralized school-libraries in Québec, which were not available.
- iii. It will be seen that centralized school libraries are the largest purchasers of 'Non-Print' materials.
- iv. Centralized school libraries (excluding Québec) spent, per pupil, \$1.42 on 'non-print' materials, or about 30% of the total of \$4.85.
- v. Purchases of 'Non-print' materials by all educational institutions account for some 10% of total purchases of library materials,

TABLE 14

| HOLDINGS OF AUDIO-VISUAL SOFTWARE - CANADIAN EDUCATIONAL |                     |                 |                                                         |                                   |                    |
|----------------------------------------------------------|---------------------|-----------------|---------------------------------------------------------|-----------------------------------|--------------------|
| INSTITUTIONS - SELECTED YEARS 1971 - 1973                |                     |                 |                                                         |                                   |                    |
| (000s)                                                   |                     |                 |                                                         |                                   |                    |
|                                                          | A                   | B               | C                                                       | D                                 | E                  |
|                                                          | <u>UNIVERSITIES</u> | <u>COLLEGES</u> | <u>CENTRALISED</u><br><u>SCHOOL</u><br><u>LIBRARIES</u> | <u>PUBLIC</u><br><u>LIBRARIES</u> | <u>TOTAL</u>       |
|                                                          | (1971-72)           | (1971-72)       | (1972-73<br>excl. Québec)                               | (end 1972-<br>73)                 | (A) (B)<br>(C) (D) |
| 1) Films                                                 | 6                   | 12              | 50                                                      | ) 61                              | 129                |
| 2) Film Loops                                            |                     |                 |                                                         | )                                 |                    |
| 3) Film Strips                                           | 25                  | 20              | 1,658                                                   | )                                 |                    |
| 4) Film Slides                                           | 358                 | 503             | 952                                                     | ) 91                              | 4,347              |
| 5) Film Transparencies                                   |                     |                 | 740                                                     | )                                 |                    |
| 6) Sound Rec.                                            | 218                 | 70              |                                                         | 419                               | 707                |
| 7) Micro Mat.                                            | 10,321              | 77              |                                                         | 173                               | 10,571             |
| 8) Other                                                 | 44                  | 33              |                                                         | 971                               | 1,048              |
| TOTAL:                                                   | 10,972              | 715             | 3,400                                                   | 1,715                             | 16,802             |

(Sources: Statistics Canada: Publications #81-205 and #81-260; and tabulations provided by the Education, Science and Culture Division)



TABLE 14 (continued)

Comments:

- i. Data on holdings by centralized school libraries in Québec are not available; thus the figures of \$3.4 million at the foot of Column C and \$16.8 million in Column E. fall short of the true figures for the whole of Canada.
- ii. The figures in Column E cannot properly be totalled, since the component figures do not all relate to the same year, but they do provide a reasonable indication of the actual quantity of holdings of audio-visual materials.
- iii. It will be seen that centralized school libraries are, in total, the largest holders of film-strips, whereas universities hold by far the largest inventories of micromaterial.

### 5.3 Use of Canadian and Foreign Audio-visual Materials

A limited survey in 1970 by the Educational Media Association of Canada<sup>(25)</sup> found that 80% of Canadian funds allocated for the purchase of educational 16mm films were spent on foreign productions. There is also some reason to believe that well over 80% of all audio-visual material in some of the leading school systems in Canada is of American origin. It has been reported that, in a number of Canadian school systems, large and very expensive 16mm-film programs for teaching French have been purchased from the United States.

The National Film Board, in a recent study<sup>(26)</sup>, found that:

- i. Over the years 1971-1974, the origins of the 16mm films available in Canada that had been 'certified as educational'<sup>(27)</sup> were:

|                |     |     |       |
|----------------|-----|-----|-------|
| Canada         | :   | 37% |       |
| United States: | 48% | )   |       |
| Other foreign: | 15% | )   | = 63% |

- ii. The origins of the copies of 16mm films held by film libraries of education systems in Canada were:

|                |     |     |                 |       |
|----------------|-----|-----|-----------------|-------|
| Canada         | :   | 34% | <sup>(28)</sup> |       |
| United States: | 60% | )   |                 |       |
| Other foreign: | 6%  | )   |                 | = 66% |

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(25) Quoted in 'Education Support Program', National Film Board, 1976.

(26) 'Education Support Program', National Film Board, 1976.

(27) See Section 5.4 for an explanation of this term.

(28) Two-thirds of the Canadian films were made by the National Film Board.



- iii. School and university librarians estimate that two-thirds of the films they have in stock are of foreign origin.
- iv. 61% of teachers who have used material of foreign origin indicated that they have encountered points of view that they regarded as unsuitable for Canadian curricula.
- v. 63% of the films used by teachers in Canada are obtained from libraries supported by their respective provincial education systems.
- vi. Of the films actually used by Canadian teachers, twice as many are of Canadian origin as of foreign origin.

To sum up, it may be said, in the broadest terms, that the Canadian educational systems purchase two-thirds of their 16mm films from foreign sources, while two-thirds of the 16mm films used by Canadian teachers is of Canadian origin.

Another comprehensive survey<sup>(29)</sup> was made by the National Film Board to establish 'base-line' data on the utilization of film in relation to the other principal audio-visual formats, such as tape, videotape, and slides. The main findings, illustrated in Figure 2, were:

- i. The most popular format with teachers in the elementary and secondary school system was the 16mm film, which they used on average, about 14 times a year.
- ii. Audio-visual formats are used 59 times a year by elementary-school teachers, 34 times a year by secondary-school teachers, and 18 times a year by university teachers.
- iii. The second most popular format is the film strip.
- iv. There are regional preferences for different formats; for example, videotape is used more extensively in the western provinces, while there is a very high usage of television broadcasts and 35mm slides in Québec.

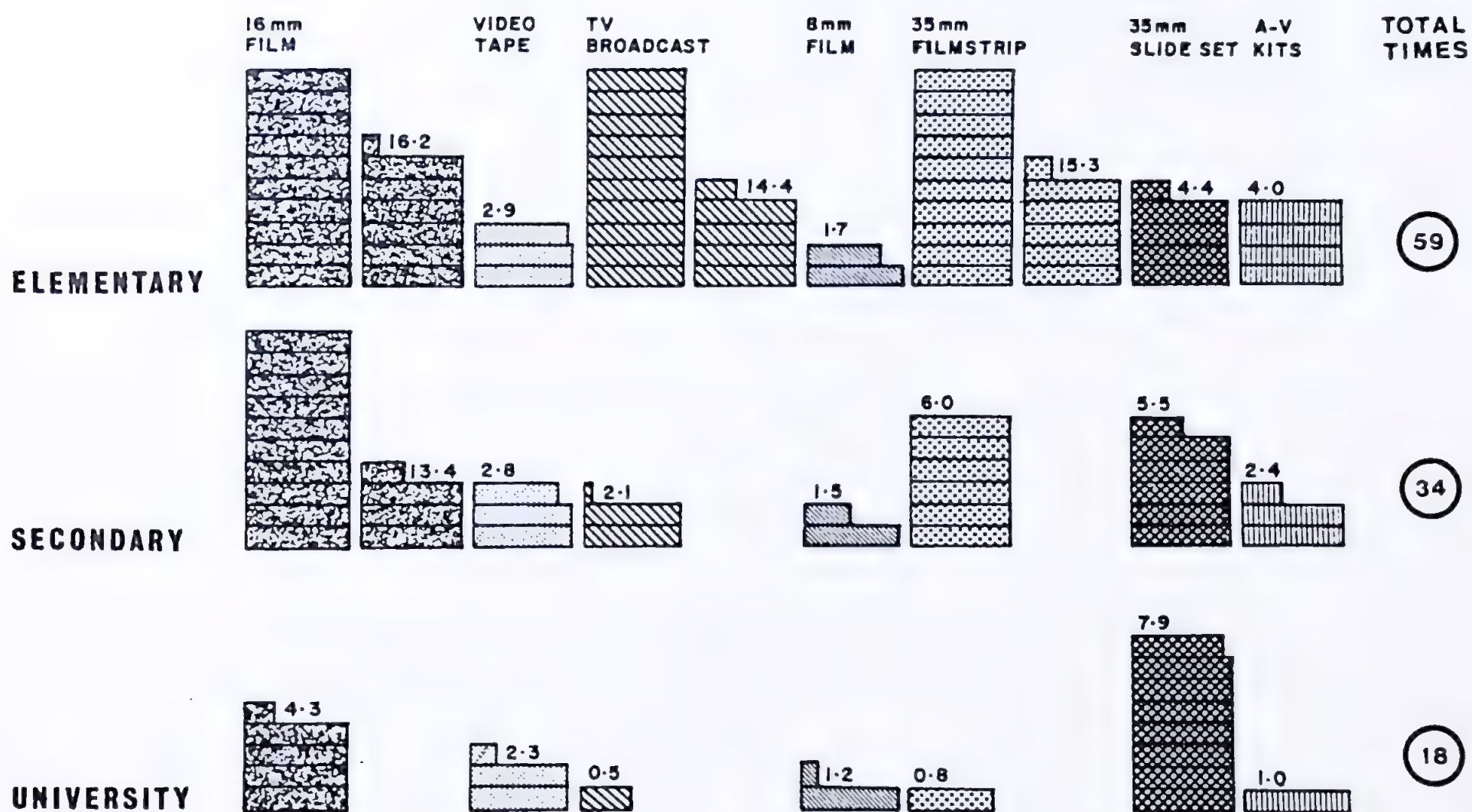
It would be useful if studies of the type made by the National Film Board could be repeated every few years. This is a

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(29) 'Education Support Program', National Film Board, 1976.

FIGURE 2

USE OF PRINCIPAL A-V FORMATS PER YEAR PER TEACHER





project that might receive favourable consideration from the Department of the Secretary of State and the Council of Ministers of Education.

Statistics Canada has launched a series of studies, by province, on the utilization and sources (teachers or students) of slides (sound), slides (silent), and film strips at the university level. Studies already completed cover the Atlantic provinces (Catalogue #81-231) and Ontario (Catalogue #81-233).

#### 5.4 Imports and Exports of Educational Audio-visual Material

A number of countries, including Canada, have subscribed to a UNESCO 'Agreement for Facilitating the International Circulation of Visual and Auditory Materials of an Educational, Scientific, and Cultural Nature', under which customs duties are abated on materials so certified by the government of the exporting country.<sup>(30)</sup> The National Film Board is charged with the duty of certifying, on behalf of the Government of Canada, the qualification of materials produced in Canada or by persons normally resident in Canada upon application from persons who own the basic rights to such materials. Data on certificates issued by the National Film Board are given in Table 15.

Data on imports of educational film are now being covered by Statistics Canada under the new seven-digit code #918-13-21 - Imports of Motion Picture Film (Educational). Classified reporting to this depth is still voluntary. For the year 1974, with 69% coverage, imports valued at \$3,659,000 were recorded. From January to August 1975, with 79% coverage, a figure of \$3,234,000 was recorded for 22 million feet of film.

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(30) Details of procedures and requirements for certification are explained in a document entitled 'Statement on Certification of the International Educational Scientific and Cultural Character of Canadian-owned Audio-visual Materials' - National Film Board.

TABLE 15

EDUCATIONAL CERTIFICATES ISSUED BY NFB

|                           | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> | <u>1970-71</u> | <u>1971-72</u> | <u>1972-73</u> | <u>1973-74</u> | <u>1974-75</u> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| FILMS                     | 228            | 201            | 237            | 321            | 225            | 381            | 513            | 665            |
| FILMSTRIPS                | 1              | 6              | 14             | 14             | 7              | 7              | 52             | 76             |
| SLIDES                    | 3              | 6              | 5              | 15             | 20             | 15             | 35             | 24             |
| RECORDINGS                | 20             | 3              | 34             | 7              | 10             | 25             | 14             | 23             |
| MODELS                    | -              | -              | -              | 2              | 1              | -              | 25             | 2              |
| MEDIA<br>KITS             | -              | -              | -              | -              | 1              | 3              | 1              | -              |
| WALL CHART<br>MAP POSTERS | 8              | 1              | 4              | 3              | 11             | 14             | 10             | 3              |
| <u>TOTAL:</u>             | <u>260</u>     | <u>217</u>     | <u>294</u>     | <u>362</u>     | <u>275</u>     | <u>445</u>     | <u>650</u>     | <u>793</u>     |
| <u>REJECTIONS:</u>        | 29             | 53             | 21             | 22             | 28             | 20             | 17             | 20             |

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(Source: National Film Board)



5.5            Marketing of Educational Audio-visual Materials  
                 by Provincial Governments

The governments of several provinces are active in the production and distribution of educational audio-visual materials. It has not been possible in the course of this study to collect sufficient data for the presentation of a consolidated national picture, but interesting information for Ontario is available.

The Ontario Educational Communications Authority (OECA), an agency of the Government of Ontario, produces a wide range of audio-visual programs for use in the provincial school system, and also operates, under licence from the CRTC, an educational television network - TV ONTARIO. A market for OECA programs is developing outside the Province, on which the OECA provided the following statement:

"OECA are currently marketing a number of their programs to other provincial authorities, e.g. ACCESS in Alberta, for educational broadcast purposes as well as video cassette duplication for use directly in the classroom.

In the U.S., OECA is currently marketing programs to ETV stations and have also in the past negotiated contracts for distribution in the 16 mm. medium.

Little business is conducted by OECA outside North America because of differing line transfer situations re: videotape."

The majority of OECA programs are produced on magnetic videotape for use by educational establishments in the Province, and their use is becoming increasingly popular.

According to the report of a committee set up to study the costs of education in Ontario elementary and secondary schools, most schools are not equipped to receive OECA programs. By the fall of 1971, 97.9% of elementary schools and 95.2% of secondary schools were equipped with television sets. Elementary schools had an average of 2.6 sets and secondary schools an average of 5.9.

From 1966 to 1968 funds were made available for the purchase of television sets; this program was then merged into a more general equipment-funding program which terminated in August 1971. Nevertheless, many schools were able to find ways of making their use of audio-visual programs more flexible, as the Hall-Dennis Commission had recommended. A measure of the willingness of school boards to spend local funds to widen the use of the OECA service is indicated by increased purchasing of video-recording and playback equipment during the past year. Purchases by elementary schools doubled, and 9.6% now have video-recording machines as compared with 4.6% a year ago. In secondary schools, 79% now have recording equipment, as compared with 58.8% a year ago.

It is becoming increasingly evident that, largely as a result of the activity of the OECA, a large proportion of teachers and pupils in Ontario now regard the regular use of educational telecommunications as an essential element in the teaching and learning experience.

#### 5.6 Competition Between the Public and Private Sectors

The heavy involvement of governments in Canada in the educational market is a source of grave concern to the private sector. Provincial governments and the National Film



Board, using public funds, can make audio-visual materials available to educational institutions at prices lower than the private sector could afford. The reason, of course, does not lie in greater efficiency in the public sector but in the fact that the prices charged by these government agencies fall short of reflecting true costs, and this has a constricting effect on the market available to the private sector. (31)

In the United States, commercial producers and distributors of educational films have been given assistance from federal and state funds. Little or no such encouragement is given in Canada. Canadian producers and distributors have to compete not only with the heavily subsidized products of government agencies but also with perhaps equally heavily subsidized commercial products from the United States. This perhaps explains why, out of some 30 educational-media distributors in Canada, only 5 are Canadian-owned and operate on a nation-wide scale; all the others are subsidiaries of firms in the United States.

The private sector maintains that, if governments in Canada want to encourage the development of audio-visual modes of education, this could be most effectively achieved either by subsidizing the educational institutions that form the market, or by making funds available to the private sector for the production and distribution of educational audio-visual materials. There would be great merit in any action that would help to reduce the predominance of foreign audio-visual materials

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(31) It has been said that the establishment of the National Film Board had a similar constricting effect on the Canadian film industry; the Canadian Film Development Corporation was set up to help remedy this situation.

in use in Canadian schools and so encourage development of a consciousness of Canadian identity in the student population.

#### 5.7            The Development of Educational Technology

The very rapid development of computer-communications in the 1960s gave rise to predictions of fundamental changes in the technology of education; it was said, for example, in 1971 that:

"It is generally agreed that perhaps the most startling of changes envisaged in education over the next 10-15 years will be the extent to which technological systems will be employed. For instance, Information Retrieval Television Systems (IRTV) would probably be employed in most schools to provide audio-visual television rather than decentralized type systems. There is also considerable discussion in informed circles of the possible diminution of the role of the school itself. Evolving concurrently with the implementation of the technological systems for education, audio-visual communications could transform the home into a part-time school. According to a study by Bell Canada, within a decade a significant number of homes could be equipped with home terminals capable of utilizing IRTV and computerized library systems. Consequently, it is quite likely that significant numbers of post secondary students will spend more time working at home or in small groups by 1980. Secondary students could follow by 1983 and primary students by the year 2000."(32)

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(32) Source: "An Exploration of the Future in Educational Technology", Doyle and Goodwill, H.Q. BUSINESS PLANNING: Bell Canada, 1971.



As with other applications of computer-communications, progress has not been as rapid as was expected, and the vision for educational developments by 1980, now only four years away, is unlikely to be achieved. Nonetheless, the widespread use of audio-visual materials in education today is revolutionary. The standard television receiver has become commonplace. Many schools are cabled for internal distribution of programs received by a head-end either from direct broadcasts or through a commercial cable system. Head-ends are now being equipped with videotape equipment so that classes may receive programs whenever they are required rather than when they may have been broadcast. Head-ends can also be equipped with telecine chains, so that large portions of existing film libraries can be distributed over the video system. Individual classrooms are now being equipped with videotape players and monitors; the programs available will, in the foreseeable future, be greatly increased in numbers by the introduction of the video disk.

In the fall of 1972, the federal Government, with the approval and cooperation of the Council of Ministers of Education, initiated a program of research into educational technology. The reasoning behind this development was that the federal government had available, in the Department of Communications, a source of technical expertise that could provide beneficial information to all the provincial education authorities in the field of audio-visual developments. Unfortunately, this promising program was terminated on 31 March 1976 as part of the general cut-back in federal expenditures.

6. THE FEDERAL GOVERNMENT MARKET

6.1 Usage of Audio-visual Material

In 1972, a detailed study of federal usage of audio-visual material in the National Capital Region was made by Shirley Webb and David Mundie for the Canadian Government Photo Centre. Data were gathered on:

Market Identification

Films and film strips made by the National Film Board

Value of inventory of audio-visual material

Personnel in the audio-visual field

Cost of materials and supplies

Expenditures for audio-visual services and products in 1971-1972

Total direct cost of audio-visual programs

It is understood, that the study revealed a serious lack of coordination at that time with regard to procurement, utilization of personnel, and the availability of audio-visual facilities. Little attention had been paid to the possibilities of more cohesive direction and more co-sponsored programs. The technical facilities of departments and agencies were seen to be grossly under-utilized, and yet more and more audio-visual material was being procured; there appeared to be widespread ignorance among departments and agencies of what was available elsewhere.



Although the study was completed nearly four years ago, there appears to be no evidence that the situation has changed to any considerable degree. It is understood, however, that the Webb-Mundie report is being studied by a Treasury Board committee of officials, on which the Department of the Secretary of State is represented.

## 6.2 Federal Procurement Arrangements

There is no single federal agency for the procurement of audio-visual material. Purchases may be channelled through the Department of Supply and Services or the National Film Board, or made directly by individual user-departments or through various 'Media Resource Centres'.

When the National Film Board was constituted nearly forty years ago, its chief objective was to initiate and promote the production and distribution of films in the national interest. It was also intended that the Board should be the sole federal agency for the procurement of films; subsection 11(1) of the National Film Act provides that:

"Except with the approval of the Governor in Council, no department shall initiate the production or processing of a motion picture film without the authority of the Board, and the production and processing of all motion picture films by or for departments shall be undertaken by the Board unless the Board is of opinion that it is in the public interest that it be otherwise undertaken and authorizes it to be so undertaken."

It may be noted that the foregoing provision is restricted to films, and does not apply to other forms of audio-visual material. However, the Department of Supply and Services (DSS), presumably with some sort of authorization from either the Governor in Council or the National Film Board, placed 5 contracts in 1974-1975 for completed film products worth \$200,000; contracts worth an (estimated) \$150,000 were placed between April 1975 and August 1975.

Despite this incursion by DSS into the procurement of completed film products, the Sponsored Program Division of the National Film Board is still the principal general broker for film production on behalf of federal departments. Some of the production is done by the Board itself and the rest is let out to the private sector. The private sector producers contend that the National Film Act gives the Board an unreasonable stranglehold on film production for the federal government, and that they should be allowed to bid for all its business, not just that part of it that the Board cannot or is not willing to undertake. The Canadian Film and Television Association (CFTA), which represents about 70% of the English-Language producers, wants the Government to amend the National Film Act in such a way as to direct the Board to compete with the private sector for the production of departmental and other sponsored films, of which the annual value is estimated at \$4 million. Actually, in the past six years the proportion of expenditure on film production<sup>(33)</sup> channelled by the Board to the private sector has been steadily increasing.

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(33) For figures of actual expenditures, see 6.3 below.



TABLE 16

PRODUCTION OF FILMS FOR FEDERAL DEPARTMENTS

|                | <u>National Film<br/>Board</u> | <u>Private<br/>Sector</u> |
|----------------|--------------------------------|---------------------------|
| 1970-71        | 92%                            | 8%                        |
| 1971-72        | 76%                            | 24%                       |
| 1972-73        | 48%                            | 52%                       |
| 1973-74        | 51%                            | 49%                       |
| 1974-75        | 51%                            | 49%                       |
| 1975-76 (est.) | 50%                            | 50%                       |

(Source: National Film Board.)

The Department of Supply and Services is the general federal procurement agency for audio-visual hardware equipment and raw film (including supplies for the National Film Board). In 1974-1975, 834 orders were placed on behalf of federal departments and agencies for materials valued at some \$9½ million.

Some departments are known to be evading the normal procurement channels of DSS and the National Film Board; it is sometimes argued in justification that procurement through these channels, particularly the Board, is unacceptably slow. Also, a number of departments and agencies (including the Post Office; Industry, Trade and Commerce; the Public Service Commission; Health and Welfare; and Revenue Canada) have developed internal facilities, some of which are actively promoted to other departments.<sup>(34)</sup> It is estimated that the total volume of departmental purchases and internal operations, properly costed, probably equals or exceeds the production handled by the National Film Board.

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(34) For example, on 3 December 1975, Revenue Canada offered in writing services of its Educational Media Resource Centre to the Anti-Inflation Board.

To sum up, it appears that there is room for greater coordination in the arrangements for the procurement of audio-visual materials for the federal Government, in the interest of efficiency and economy. Whether or not procurement should be completely centralized is a point that has not been examined in this study. It is understood, however, that the Treasury Board Committee that was established in 1972 to examine the actions that could or might be taken to clarify and improve the liaison and consultative functions of the National Film Board has recently completed its task.

### 6.3 Federal Expenditures on Audio-Visual Materials

There is no single reliable source of data on the expenditures of the federal government on audio-visual materials, and consequently no firm base on which to estimate future expenditures. The figures herein represent a synthesis of data from four sources:

- a. departmental reporting against Items 0476/7 of the Treasury Board Authorities Manual;
- b. National Film Board sponsored programs;
- c. the Department of Supply and Services; and
- d. press reports and opinions of knowledgeable persons.

In the Treasury Board Authorities Manual, line object #0476 is entitled 'Motion Picture Production and Distribution'. The implication is that when a department or agency spends money on motion-picture production and distribution, it is required to report this expenditure against this item. Data on such expenditures against line objects are available from Statistics Canada (Institutions and Public Finance Branch, Public Finance Division, Federal Government



Section); however, the data are classified as 'confidential', and prior clearance from Statistics Canada is required for their publication. Statistics Canada has provided data on this line object for each of the years 1970-71 to 1974-75, but has not yet given clearance for the disclosure of this information, even to other arms of the federal government. The data, in fact, probably under-states actual expenditures, for there is no guarantee that departments have allocated expenditures in strict conformity to the rules; it is probable that some expenditures on audio-visual software have been allocated to other line objects, such as 'Advertising'.

According to the Sponsored Program Division of the National Film Board, total expenditure on the production of film products for departments by the Board has doubled during the past six years.

TABLE 17

SPONSORED-FILM PRODUCTION HANDLED BY NFB

|                |               |
|----------------|---------------|
| 1970-71        | \$1.8 million |
| 1971-72        | 3.4 million   |
| 1972-73        | 2.6 million   |
| 1973-74        | 2.8 million   |
| 1974-75        | 3.4 million   |
| 1975-76 (est.) | 3.7 million   |

(Source: National Film Board.)

Data on purchases of audio-visual hardware and raw film by DSS on behalf of federal departments and agencies (including the National Film Board), at present totalling some \$10 million a year, are given in Table 18. In addition, as previously mentioned, DSS acts as broker for

the purchase of some processed film products, at a present level of \$500,000 a year.

Other sources indicate that certain federal departments and agencies have internal audio-visual branches, and undertake direct procurement; it has been estimated that these expenditures probably equal or exceed those handled by the National Film Board.

Present annual audio-visual expenditure by the federal government may be at the following level: <sup>(35)</sup>

|                                          |                       |
|------------------------------------------|-----------------------|
| Software - through NFB                   | \$ 4 million          |
| - through DSS                            | $\frac{1}{2}$ million |
| - direct procurement                     | 4 million             |
| DSS - hardware and photographic supplies | 10 million            |

It is likely that, in view of the present restraints on federal spending, expenditures on audio-visual materials will not increase significantly in the near future. However, the intrinsic value of audio-visual communications is so great that, over a five-year period, real growth would appear to be inevitable.

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(35) Departmental reporting against Code #0476/7 probably involves duplication, and has therefore been ignored.



TABLE 18

| F.S.C. | Description                       | Fiscal Year 1973-74 |           | Fiscal Year 1974-75 |           | April-September 1975 |         |
|--------|-----------------------------------|---------------------|-----------|---------------------|-----------|----------------------|---------|
|        |                                   | Number              | Value     | Number              | Value     | Number               | Value   |
| 6720   | Cameras, Still Picture            | 53                  | 377,870   | 62                  | 372,591   | 16                   | 229,868 |
|        | Repair and Overhaul               | 2                   | 47,618    | 1                   | 25,000    |                      |         |
|        | Design and Development            | -                   | -         | -                   | -         |                      |         |
|        | Rental                            | 4                   | 9,892     | 4                   | 36,980    |                      |         |
|        | Professional                      | 4                   | 37,276    | -                   | -         |                      |         |
|        | Miscellaneous                     | -                   | -         | -                   | -         |                      |         |
|        | Total Services                    | 10                  | 94,786    | 5                   | 61,980    |                      |         |
|        | Total Goods and Services          | 63                  | 472,656   | 67                  | 434,571   |                      | 116     |
| 5730   | Photographic Projection Equipment | 321                 | 1,625,230 | 368                 | 1,504,743 | 147                  | 826,438 |
|        | Repair and Overhaul               | -                   | -         | -                   | -         |                      |         |
|        | Design and Development            | -                   | -         | -                   | -         |                      |         |
|        | Rental                            | 23                  | 98,528    | 13                  | 76,672    |                      |         |
|        | Professional                      | 1                   | 3,000     | -                   | -         |                      |         |
|        | Miscellaneous                     | -                   | -         | -                   | -         |                      |         |
|        | Total Services                    | 24                  | 101,528   | 13                  | 76,672    |                      |         |
|        | Total Goods and Services          | 345                 | 1,726,758 | 381                 | 1,581,415 |                      |         |

TABLE 18 (Cont'd)

| F.S.C. | Description                               | Fiscal Year 1973-74 |           | Fiscal Year 1974-75 |           | April-September 1975* |           |
|--------|-------------------------------------------|---------------------|-----------|---------------------|-----------|-----------------------|-----------|
|        |                                           | Number              | Value     | Number              | Value     | Number                | Value     |
| 6740   | Photographic Developing & Finishing Eqpt. | 82                  | 589,652   | 60                  | 373,450   | 38                    | 292,633   |
|        | Repair and Overhaul                       | 1                   | -         | 1                   | 19,500    |                       |           |
|        | Design and Development                    | 1                   | -         | -                   | -         |                       |           |
|        | Rental                                    | 2                   | 59,835    | 1                   | 19,200    |                       |           |
|        | Professional                              | 2                   | 211,500   | 2                   | 4,000     |                       |           |
|        | Miscellaneous                             | 1                   | 185,000   | 2                   | 30,000    |                       |           |
|        | Total Services                            | 7                   | 456,335   | 6                   | 72,700    |                       |           |
| 6750   | Total Goods and Services                  | 89                  | 1,045,987 | 66                  | 446,150   |                       |           |
|        | Photographic Supplies                     | 155                 | 5,730,715 | 129                 | 5,041,900 | 56                    | 1,832,784 |
|        | Repair and Overhaul                       | -                   | -         | -                   | -         |                       |           |
|        | Design and Development                    | 1                   | 6,700     | 3                   | 7,200     |                       |           |
|        | Rental                                    | -                   | -         | -                   | -         |                       |           |
|        | Professional                              | 2                   | 40,000    | 4                   | 21,425    |                       |           |
|        | Miscellaneous                             | 2                   | 112,500   | 1                   | -         |                       |           |
|        | Total Services                            | 5                   | 159,200   | 8                   | 28,625    |                       |           |
|        | Total Goods and Services                  | 160                 | 5,889,915 | 137                 | 5,070,525 |                       |           |
|        |                                           |                     |           |                     |           |                       |           |



TABLE 18 (Cont'd)

| F.S.C. | Description                            | Fiscal Year 1973-74 |         | Fiscal Year 1974-75 |           | April-September 1975* |         |
|--------|----------------------------------------|---------------------|---------|---------------------|-----------|-----------------------|---------|
|        |                                        | Number              | Value   | Number              | Value     | Number                | Value   |
| 6760   | Photographic Equipment and Accessories | 118                 | 606,625 | 139                 | 1,323,764 | 72                    | 830,913 |
|        | Repair and Overhaul                    | 4                   | 143,023 | 2                   | 7,119     |                       |         |
|        | Design and Development                 | 3                   | 62,893  | 1                   | -         |                       |         |
|        | Rental                                 | 4                   | 56,494  | 2                   | 15,913    |                       |         |
|        | Professional                           | 1                   | -       | 1                   | 1,000     |                       |         |
|        | Miscellaneous                          | -                   | -       | 1                   | 881       |                       |         |
|        | Total Services                         | 12                  | 262,410 | 7                   | 24,913    |                       |         |
|        | Total Goods and Services               | 130                 | 869,035 | 146                 | 1,348,677 |                       | - 118 - |
| 6780   | Photographic Sets, Kits and Outfits    | 8                   | 32,899  | 1                   | 6,381     |                       |         |
|        | Repair and Overhaul                    | -                   | -       | -                   | -         |                       |         |
|        | Design and Development                 | -                   | -       | -                   | -         |                       |         |
|        | Rental                                 | -                   | -       | -                   | -         |                       |         |
|        | Professional                           | -                   | -       | -                   | -         |                       |         |
|        | Miscellaneous                          | -                   | -       | -                   | -         |                       |         |
|        | Total Services                         | -                   | -       | -                   | -         |                       |         |
|        | Total Goods and Services               | 8                   | 32,899  | 1                   | 6,381     |                       |         |

TABLE 18 (Cont'd)

| F.S.C. | Description              | Fiscal Year 1973-74 |            | Fiscal Year 1974-75 |           | April-September 1975* |           |
|--------|--------------------------|---------------------|------------|---------------------|-----------|-----------------------|-----------|
|        |                          | Number              | Value      | Number              | Value     | Number                | Value     |
| 6710   | Cameras, Motion Picture  | 20                  | 207,683    | 26                  | 103,556   | 7                     | 68,187    |
|        | Repair and Overhaul      | 2                   | 38,250     | 1                   | 855       |                       |           |
|        | Design and Development   | -                   | -          | 2                   | 149,108   |                       |           |
|        | Rental                   | -                   | -          | -                   | -         |                       |           |
|        | Professional             | -                   | -          | -                   | -         |                       |           |
|        | Miscellaneous            | -                   | -          | -                   | -         |                       |           |
|        | Total Services           | 2                   | 38,250     | 3                   | 149,963   |                       |           |
|        | Total Goods and Services | 22                  | 245,933    | 29                  | 253,519   |                       |           |
| 6770   | Film, Processed          | 19                  | 76,644     | 10                  | 42,784    | 7                     | 453,626   |
|        | Repair and Overhaul      | -                   | -          | 1                   | 5,000     |                       |           |
|        | Design and Development   | -                   | -          | -                   | -         |                       |           |
|        | Rental                   | -                   | -          | -                   | -         |                       |           |
|        | Professional             | 2                   | 25,000     | 2                   | 12,680    |                       |           |
|        | Miscellaneous            | 2                   | -          | 3                   | 45,174    |                       |           |
|        | Total Services           | 4                   | 25,000     | 6                   | 62,854    |                       |           |
|        | Total Goods and Services | 23                  | 101,644    | 16                  | 105,638   |                       |           |
|        | TOTAL GOODS              | 776                 | 9,247,318  | 795                 | 8,769,169 | 343                   | 4,570,449 |
|        | TOTAL SERVICES           | 64                  | 1,137,509  | 48                  | 477,707   |                       |           |
|        | GRAND TOTAL              | 840                 | 10,384,827 | 843                 | 9,246,876 | 343                   | 4,570,449 |

\* The distribution by Type of Services in relation to the F.S.C. is not available for period April-September, 1975.

Information Management and Reporting Section,  
Corporate Information Management Division,



7. THE PROVINCIAL GOVERNMENT MARKET

As has been previously mentioned, provincial governments, particularly Ontario and Alberta, are actively in the market for educational audio-visual materials. For instance, in Alberta the Public Affairs Bureau, a section of the Department of Government Services, is responsible for controlling procurement of audio-visual materials and developing standards for equipment; all purchases by departments must be approved by the Bureau before they are submitted for Treasury approval. A very wide definition of audio-visual material has been adopted, including, for instance, intercom and public-address systems, audio equipment, films, television, photo processing, microfilm readers and printers, and so on, making any direct correlation with federal expenditures impossible.

The other provinces that were approached were unable to provide the data requested, generally because they had no central agency controlling the procurement of audio-visual materials. It has, therefore, not been possible to make any realistic estimates of the present and prospective provincial markets for audio-visual materials.

This concludes the Marketing Report. The illustration on the next page capsules some of the highlights.

# 8. SUMMARY OF ILLUSTRATION

## MARKETS

|                          | THEATRICAL<br>CINEMA                                                                                                                                                                                                                                 | TELEVISION                                                                                                                                                                                                                                                                                                                           | EDUCATIONAL                                                                                                                                                                                                                                                        | SPONSORED                                                                                                                         | GOVERNMENT                                                                                                                                                    |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MARKET<br>HIGHLIGHTS     | <ul style="list-style-type: none"> <li>Attendance <math>\rightarrow</math></li> <li>Box Office <math>\uparrow</math></li> <li>Rental payments \$60 million/year</li> <li>Govt. involvement in production, taxation legislation and quotas</li> </ul> | <ul style="list-style-type: none"> <li>Time-consuming activity</li> <li>\$40 million foreign programming</li> <li>Cable development</li> <li>Pay TV - will it save feature films?</li> <li>Advent of video disk and memory block</li> <li>Strong <u>Federal</u> control</li> <li>Economies of scale</li> <li>Public taste</li> </ul> | <ul style="list-style-type: none"> <li>Promising demand despite static student population</li> <li>AV <math>\uparrow</math></li> <li>Heavy Govt. involvement as supplier and purchaser</li> <li>16mm popular format - greater usage of Canadian product</li> </ul> | <ul style="list-style-type: none"> <li>Economic medium</li> <li>Small business venture</li> <li>Mainly foreign product</li> </ul> | <ul style="list-style-type: none"> <li>\$91m software</li> <li>\$5m <u>hardware</u></li> </ul>                                                                |
| MARKET<br>CONSTRAINTS    | <ul style="list-style-type: none"> <li>Public taste</li> <li>Need for international markets</li> <li>Breaking into established markets</li> </ul>                                                                                                    | <ul style="list-style-type: none"> <li>Continued strong <u>Federal</u> intervention?</li> <li><u>Federal</u> subsidy for dramatics?</li> </ul>                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>Subsidy by U.S. governments but not Canadian</li> <li>Public/private sector competition</li> </ul>                                                                                                                          | <ul style="list-style-type: none"> <li>Supply</li> <li>Market untapped</li> </ul>                                                 | <ul style="list-style-type: none"> <li>Public/private sector conflict re NFB role</li> <li>Uncoordinated Federal expenditures</li> <li>Provincial?</li> </ul> |
| POLICY<br>CONSIDERATIONS | <ul style="list-style-type: none"> <li>Optimal <u>Federal</u> Role?</li> </ul>                                                                                                                                                                       | <ul style="list-style-type: none"> <li>Govt. subsidy to user?</li> </ul>                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>Distribution of Govt. films via Canadian companies?</li> </ul>                                                                                                                                                              | <ul style="list-style-type: none"> <li>Re-examination of NFB's role</li> <li>Rationalization of Federal procedures</li> </ul>     |                                                                                                                                                               |



## VOLUME II THE CANADIAN FILM PRODUCTION INDUSTRY

### EXECUTIVE SUMMARY

This report presents an analytical review of the film and videotape production industry in Canada. Its three main objectives are:

1. To establish a profile of the film production industry in Canada, to comprise an analysis of products, markets and industry structure in both the private and public sectors.
2. To identify the business mechanics of the industry with particular attention to sources and uses of funds, risk factors, competition, return on investment, and mobility.
3. To identify problems and opportunities for the industry with particular reference to the workings of demand and supply and the interrelationships between public and private sectors.

The methodology employed in the analysis was firstly on the review of publications and literature on the subject and on related topics. In the second instance, a review of the statistical information was carried out; this provided limited information because of the paucity of data. The third method, which is responsible for most of the information, consists of pooling together information obtained from interviewing over forty private sector firms actively engaged in film production, as well as individuals close to, or responsible for, film production in government agencies or departments.

### Profile of the Film Production Industry

The profile provided is based on a sample survey of approximately 30% of the firms in business in Canada. While this is not an exhaustive coverage of all aspects of the industry, it is meant to provide an identity to the industry.

- A. The following points were found to be relevant findings and characteristics of the industry's profile:

Overall film and videotape production in Canada is limited, with an estimated maximum of \$150 mm having been expended in 1975. The industry is therefore considered to be small, and private sector activity very small by any industrial standards.

- The private sector market share is approximately one-third of the total output. The public sector, which is responsible for the balance, plays a part both as a producer and as a purchaser of the private sector's output.

B. The following characteristics highlight the structure of the film production industry:

- The number of active, going concerns engaged in the production of film in Canada in 1973 was estimated at about 150. The exact number of units is in constant flux, largely due to ease of entry and exit in the industry.
- The size of units in the private sector has been measured as follows:
  - in terms of output
    - The great majority of film producing units are very small (less than \$250m) with 2/3 of these having output of \$100,000 or less.
    - the distribution is bi-modal, with a cluster of production units in the \$500,000-plus range.
    - the gap which exists at the \$500,000 level indicates the possibility of a step function in production size from a "one man" operation to a fully developed corporate enterprise.
  - in terms of employment
    - 3/4 of the production firms had less than ten employees, and one-half of these had less than five permanent personnel.
    - most firms retained at least an equal ratio of freelancers to permanent staff.
    - employment statistics reflect the need for flexibility in hiring, allowing production firms to respond to sudden increases or decreases in demand.
  - in terms of investment
    - 2/3 had investment in fixed assets and working capital of less than \$100,000.
    - there is a clear correlation between investment, employment, and output.



- greatest investment is in the form of human resources, which is not reflected in financial data.
- in terms of horizontal integration
  - firms are widely diversified into many products; this appears to be due to the need to diversify, in order to achieve a sustaining level of production.
- in terms of vertical integration
  - most firms rely heavily on external technical services.
  - only exceptionally--two instances recorded--do firms handle their own processing and/or distribution.
  - the absence of vertical integration into process confirms the need for the industry to retain its flexibility by avoiding internal capital investment, and by relying on a technical services infrastructure.
  - there is a clear-cut delineation of function and a separation between production firms and other activities.
- in terms of geographical distribution
  - the majority of volume is done from the major urban centers of Toronto and Montreal.
  - it appears that production units will normally locate close to where demand originates. Being able to have rapid physical access to lab and technical facilities also offers them a net competitive advantage.

### Business Mechanics

We examine first the relationship which exists between the producer and his clients:

- no films are made on a purely speculative basis by the producer, with the exception of feature films. Even then, the producer attempts to minimize his own risk by relying as much as possible on external sources of financing.
- producers are always at least once removed from the final market.

- production and distribution have traditionally been separate in Canada.
- deals made between producers and distributors are complex and vary with each product.
- producer's success depends upon his creative ability and his technical talent.
- the producer normally maintains a close relationship with his client during the production of a film or program.

The way in which the firm grows:

- growth is constrained by small market, fragmented demand.
- there exists considerable (estimated at up to 50%) under-capacity utilization in the private sector and therefore individual response to increased demand can be instantaneous.
- the process of expansion or growth for the firm in response to an increase in demand is implemented firstly through existing capacity utilization, then through additions of human resources and working capital, and finally, to a lesser degree, capital expenditures.
- the general process of industry expansion following an increase in demand is additional hiring of personnel, increased volume which, if it is expected to last, results in increases in capital expenditures mostly from technical infrastructures and some by production firms themselves. Additional entry into the business follows the upswing of the demand cycle.

#### Costing and Pricing Policies

- most production firms operate with unsophisticated or no cost or control mechanism, principally because of a lack of knowledge about basic budgetary practices.
- consistently successful firms are clearly identifiable as those having been able to merge commercial and creative talents.
- many of the cost factors are not controllable, since the industry relies on outside services and depends heavily on human resources. Business can usually be a victim of weather, absenteeism through sickness of key individuals, delays occasioned by labs, studios, processors, breakdowns, and many other unpredictable events.



- pricing policies are not homogeneous. In some areas they are indirectly set by government agencies' practices. For other non-theatrical products, a rule of thumb appears to be 100% mark-up over direct or out-of-pocket costs (material, filming and processing costs) with an expected resulting margin of profit of about 10%. For theatrical products, "pricing" is a matter of negotiating the best deal with distributors.
- profitability among firms varies greatly, this being due to the leverage achieved when the firm surpasses its break-even point.
- the most profitable products appear to be industrial films and commercials. These are known as "bread and butter" items. A large number of firms compete fiercely for this restricted market, primarily on the basis of creativity and concept and to a lesser degree, on the basis of price.

We have found the characteristics of investment in the film production industry to be as follows:

- the greatest investment in the industry is the creative and technical talent of the people involved in its enterprises, which is not shown in any financial or capital account.
- the capital investment required for entry into film production is very small, with most services being available on a rental or use basis.
- the average size firm from our sample, with an annual output of \$100,000 to \$250,000 in sales, requires an investment of \$25,000 to \$75,000, the investment being usually made up of 50% working capital and 50% fixtures and equipment.
- educational film producers, by virtue of the inventories which they have to maintain, have a higher capital requirement.
- film products, as a vehicle for investment, are subsidized by the income tax regulations allowing capital cost allowances between 60-100%. Initial treatment by Revenue Canada to this form of tax deferral has resulted in a climate of investor uncertainty and reticence in the film investment market.
- banks and other financial institutions in Canada have no expertise in the film business and consequently do not involve themselves in the financing aspect of films.

The risk factors in the film production industry were identified as follows:

- the firm's biggest risks are the limited size of the market within which it has to survive, and the uncertainty of demand.
- whereas in the US the producer can expect to recover his production costs from the domestic market and make a profit in foreign distribution, the Canadian anglo-phone producer of theatrical film, educational, and documentary films must, in the majority of cases, earn his break-even revenue outside Canada, with domestic receipts seldom expected to exceed 50%.
- by virtue of the financial leverage existing in most firms, changes in demand and business cycles have an exaggerated effect on producers' profitability.
- risks in the production process itself are limited largely to uncontrollable factors or the dependence on external technical services in production.
- the separation of the production from the distribution functions in film often make the producer subject to the distributor's own objectives and constraints. The lack of commitment of a distributor in the producer's work may be a risk for the producer.
- in theatrical production there is, in addition to the production risk and distributor reliance as described above, the risk of audience acceptance.
- the intervention of government agencies not subject to profit constraints as well as the threat of potential government intervention in all aspects is a market destabilizing factor and a large contribution to the overall risk element in the industry.

### The Public Sector

While the previous profile dealt mostly with the workings of the private sector, we now look at the principal public agencies involved in the film industry:

#### The CBC:

- the CBC is by far the largest supply factor in the industry, with operating expenditures of about \$170 mm in 1973, of which about \$65 mm was estimated to have been current production of new film or video material.



- . in the past the CBC has experienced a spectacular growth in size of operating budget, largely in response to growing public need. Currently, with an established network, the CBC's emphasis has been more inclined towards utilizing a large built-up in-house capacity rather than to cater to public demand.
- . by its own account, 6% of its operating budget went to sponsoring private firms' output and purchasing film rights. Production commissioned externally for that year was estimated at \$8mm.
- . the CBC is severely restricted by union contracts in its ability to expand its private production sponsoring.
- . by providing the private sector with a larger volume of business and some administrative and business assistance, the CBC could provide the necessary impetus to enable the private sector to achieve higher standards.
- . the CBC appears as a natural conduit for channeling more demand into the Canadian private sector.

The NFB:

- . it is believed that the NFB through opportunity and circumstances has developed beyond the boundaries of its original mandates intent; for example in the area of production of films for television and at one time production of feature films.
- . unionization, contract restrictions, and a lack of defined objectives or policy has resulted in the NFB's detachment from market needs and criteria, while increasing its interference in the workings of the same market.
- . the NFB practises unfair competition by spending more to produce a film than required, and by selling it for less than a private enterprise can. This form of competition indirectly exploits the private sector. There is no proof that this practice augments the quality of output and consequently it represents a misallocation of resources.
- . if the volume of sponsored films doled out to the private sector has substantially increased over the past, it is still unfair to consider that the NFB should have automatically 50% of the volume and should be allowed to choose those films it wishes to make. There is no justification to retain the NFB in a privileged position.

If it has the capability, it would be recognized when fairly bidding for contracts as anyone else.

- the sponsored film programme, especially the bidding and awards procedures, leave something to be desired, and should be revised, opened up more fairly to the private sector, or closed entirely to the NFB.
- the NFB nevertheless has played an invaluable role in the development of the Canadian film industry, mostly as a training and experimental grounds. Its major achievements have been in the development and production of film products with a social, cultural, and technical value which were of an avant-garde nature and could not be expected to be made under commercial constraints. This role is unique, and should be preserved.
- the NFB's recent philosophy of regionalization (not decentralization) aimed at initiating regional film productions for regional audiences, is recognized as a valuable means of identifying and developing potential local talent.

#### The CFDC:

- the CFDC's investment participation in over 120 films since its inception has been a contribution to the development of the Canadian feature film industry, bringing it from inexistence to an embryonic stage.
- currently, the mandate of the CFDC appears to be restrictive, and the constraints it imposes upon producers are considered disproportionate to its role. These two aspects are supporting evidence for the theory which holds that the feature film industry in Canada has developed and gained a certain degree of sophistication while the CFDC is still limited to its original rules.
- there is a danger of committing the CFDC to a role which duplicates the functions of other institutions and away from it having a forefront and complementary function to existing firms and institutions.
- the CFDC's mandate and its activities are no longer in line with the more developed film industry which exists in Canada currently, and consequently could benefit from a revision.

#### Provincial Agencies:

- provincial agencies are playing an increasingly important role in production, either directly or indirectly, and consequently must be considered as an important market factor.



- any major policy in film production will affect the provinces and jurisdictionally they are likely to have to play a positive role. Communication links and co-operation are therefore essential.

## ANALYSIS AND RECOMMENDATIONS

There are many problematic areas in the film production industry in Canada. These can virtually all be categorized under four headings: The problem of communication, or lack thereof, between the private and public sector; the structure and size of the market; the nature of competition, and finally, the investment and risk factors.

### Information and Communication:

- there is a great barrier between the private and public sector, resulting from the image that one has of the other and from the lack of information flow between the two. Since the respective views are unjustified, this element contributes to an unhealthy atmosphere and an unproductive relationship.
- basic statistical information available is neither relevant nor accurate nor timely.
- a détente produced by a constructive exchange of ideas, plans, policies, as well as educational assistance in some areas, sponsored by government agencies through seminars, could prove to be increasingly beneficial to both parties.

### The Structure and Size of the Market:

- the Canadian market is fragmented and small, and most producers need universal distribution of their product in order to achieve break-even levels or profitability.
- market problems differ for the French and English producer, with the former having access to a much smaller but more immediate and captive market.
- the market problem is further accentuated by the strong separation between production and distribution activities. Producers often put a lesser emphasis on distribution, not realizing that distribution of the product is possibly more critical than production. An overly large number of firms in Canada lack the required knowledge about distributors and distribution channels, both foreign and domestic.
- the market access could therefore be increased considerably for production firms by increasing their knowledge and their use, or by facilitating their use, of distribution networks.



- the overall market size is determined by a variety of factors: demand for industrial films and commercials responds to business cycles; educational film demand is dependent upon school board budgetary allocations, NFB-sponsored film and aggregate CBC demand depends on government projected expenditure levels, and other documentary demand is largely a function of overflow of what cannot be handled by major networks themselves.
- while diversification of most firms into several product lines is a common characteristic in the industry, it should not be interpreted as a positive growth factor, but as a clear indication that because the markets are so small and fragmented in Canada, the average firm must be able to diversify its product line in order to survive.
- aggregate market size may be augmented in two ways: Firstly, by expanding the distribution on a more universal basis, and secondly, by increasing demand by public sector agencies. Increasing demand from the private sector relies on economic circumstances and cycles.

The private sector film production industry's aggregate market may be effectively increased either through an expansion of the market through improved distribution, or through a re-allocation of production between private firms and public agencies, or through growth, be it normal economic growth or induced additional public expenditure.

- the Canadian feature film industry has matured to the point where there seems to be a potential opening up for the production of higher quality films with a universal appeal.

#### Competition and Government Intervention:

- the private sector firms are highly competitive, with a large number of firms vying in a small market.
- the private film production industry has proven itself to be capable of producing a consistent level of high quality output which compares favourably with the output of government agencies involved in film production.
- the government, while not constrained by the profit requirements which govern the private sector, intervenes drastically in the normal market mechanism by being a price setter through its function as the major purchaser of private sector output. Thus, by undertaking activities which are not, in the traditional sense, in the public domain, the government has impeded

the market mechanism, disregarded all yardsticks of competition, and reduced the private sector producers to a marginal existence.

- whereas the private sector is considered to be a viable option, which ought to be retained and developed, the overwhelming intervention of government film production agencies in the market mechanism must be halted to enable an equilibrated level of development for the two sectors.
- the just and proper role of government agencies is in complementing and promoting private sector needs, not in the needless duplication of output and activities which exists both among the public and private sector and also among government agencies. Thus, it is considered essential that the government agencies redirect their functions in a spirit of market complementarity, eliminating needless duplicating and wasteful competition.
- needless competition and market overlap among public institutions is evident. In order to eliminate or reduce this, the government needs a comprehensive expenditure and output policy which covers all agencies involved with the media.
- the government has treated the private sector in a traditionally paternalistic and benevolent manner, willingly assuming a role in the survival of the industry. The private sector, however, decries this attitude and only seeks a fair and equal competitive chance to gain access to markets which they claim are currently unjustifiably reserved for public agencies involved in film production.

#### Investment and Risk Factors:

- the level of investment activity in the film industry is closely correlated with the perceived risk and anticipated returns.
- the major components of risk for the industry are the small size of the aggregate markets and the latent threat of government intervention and duplication.
- risk to the individual firm can be diminished considerably through a small increase in aggregate demand. This is due to the financial leverage factor observed in the sample firm.
- risk levels to the participants or investors in a film product may be reduced through a clear-cut formulation and interpretation of tax rules on CCA, as well as an



extension of CCA rules to films of less than 85 minutes. These steps would naturally lead to increased investment arising out of a reduction of the potential financial risk to the investors and producers.

- in the feature film industry, it is believed that a properly balanced combination of levies and subsidies, even in the absence of quotas, would provide a means to re-channel the revenue funds to the producer in a more direct manner, bypassing the distributor and consequently increasing the producer's revenue and reducing his market risk. The reduced risk which would consequently be attached to Canadian film productions subject to a subsidy would serve as a vehicle to encourage greater investment in feature film in Canada, and this being especially true if the CCA rules were properly established at the same time.
- in order to promote the production of educational material and reduce the risk of private producers in that area, the government would be well advised to look into the potential for implementation in Canada of legislation similar to the US National Defense Education Act.

While the findings and recommendations included in this study are based on extensive research and interviewing, they cannot pretend to be definitive. It would benefit the government to enter into a dialogue with the private sector on the points in this report, with a view to immediate implementation of those steps which are generally accepted, and with the object of refining further those proposals which need additional participation or contribution towards a final development.

1.        INTRODUCTION

The Bureau of Management Consulting was commissioned by the Department of the Secretary of State to produce a report giving a detailed analysis of the structure and operations of Canadian film-producing units in both the public and private sectors.

The term 'film-production industry' is used loosely to include the producers of both film and other related products, such as videotape, film strips, multi-media effects, and animation. These products may be directed towards theatrical or non-theatrical showing, or may be shown in more than one medium, and may be seen by a large variety of audiences. The theatrical market comprises movies shown to paying audiences in cinemas or drive-ins. The non-theatrical market lies mainly in television comprising series and specials, documentaries, and commercials, with a smaller volume of educational material and products sponsored by industry, governments, institutes, or associations. In general, videotape is produced for non-theatrical showing, while films can be used in either sector. In view of the complex relationships between products, media, and markets, this study is directed primarily to the immediate market for the producer rather than to the ultimate audience-composition, because the chief source of revenue for the producer is derived from the immediate client.

The film-production industry in Canada cannot be treated in isolation, for it is only one element in a global complex of industries, including marketing and distribution.<sup>(1)</sup> Inside Canada, production is only one aspect of the film industry as a whole, which is governed by both domestic and foreign economic, fiscal, and social circumstances to be taken into account if it is to be seen in a true perspective.

This study has accordingly been directed towards three

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(1) Marketing and distribution have been covered in other reports in this series.



principal objectives:

- i. The establishment of a profile of the film production industry in Canada. This involved the identification of products and media for showing them, and of the immediate markets and their geographical distribution in both the public and the private sectors, as a basis for the aggregation of information on all these aspects.
- ii. The identification of the economics and of the business mechanics of the industry, with particular attention to the sources and uses of funds, the risk factors involved, competition, returns on investment, and mobility within the industry.
- iii. The identification of problems and potential areas for improvement, with particular reference to the inter-relationships between supply and demand, and between the private sector on the one hand and, on the other, the federal and provincial governments and their agencies.

This report represents a synthesis of views expressed by many individuals who have been generous in giving their time and coöperation in providing information. The constructive criticism and the variety of suggestions made indicate the widespread concern of those engaged in the industry with regard to its growth and development, and the assistance given by them is gratefully acknowledged.

## 2. SOURCES OF INFORMATION AND METHODS OF RESEARCH

The time available for research was limited and, in order to obtain as much information as possible, research was based on four approaches - the sifting of existing publications and documents, the examination of the statistical data available, the construction of a representative sample of production units, and a series of interviews with representatives of various sectors of the industry.

### 2.1 Publications and Documentary Sources

There is a voluminous literature on the film industry, which reflects the opinions of analysts, forecasters, government officials, representatives of the industry and the unions concerned, political groups, and a varied assortment of other interested parties. It was found, however, that there is relatively little documentation on the film-production industry in Canada, and most of what is available relates to the production of feature films. Most of the sources examined concentrate on distribution and exhibition.

### 2.2 Statistical Data

Statistics Canada produces a publication entitled 'Motion Picture Production',<sup>(2)</sup> which is compiled from the responses to a questionnaire sent to selected film-production companies. The scope of these data is so limited that they are insufficient as a basis for the development of policy or decisions by governments or the private sector. There are no other significant statistics of a general nature on the film-production industry in Canada, and steps

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(2) Statistics Canada, Catalogue #63-206.



should be taken to rectify this situation.

Another source of information is to be found in the statutory annual reports of Crown corporations and government agencies. These often do not identify expenditures attributable to production specifically, instead figures provided aggregate a number of different functions; it has therefore been found necessary to extrapolate production figures from the over-all data. It would be useful if more detailed figures attributed to different functions could be made available in the future.

### 2.3 Construction of a Representative Sample

The component structure of the film-production industry is amorphous and volatile, being characterized by fluctuating economic circumstances, and by rapid entries and exits. The problem, therefore, was to construct a sample comprising firms that would closely approximate the nature of the whole industry when responding to in-depth interviews. While information provided by particular firms may, in some cases, be ephemeral, the aggregate data may be regarded as more generally reliable.

A sample comprising some 35 production units in the private sector was selected from a list of film-production companies made available by the Department of the Secretary of State; in addition to routine identification, this list gives information for each firm on number of employees, type of product, and nationality of the proprietor, but does not give any indication of the volume of business. Thus, in attempting to align firms of comparable size, the only basis was the numbers of employees; it was later verified that there was a fair degree of correlation between the number of employees and the actual volume of business. In addition, the information in the list was used to rank the firms by the nature of their products, with the objective of ensuring that most types of

product would be covered in at least three cases; in the event, all types of product were more than adequately covered.

A language balance was also sought by selecting about one-third of the sample from firms with francophone principals which cater mainly to the French-language market. There is some overlap in firms producing for both language markets, but it is believed that the French-language film-production industry in Canada is properly represented in the sample.

With regard to geographical distribution within the sample, it was decided, mainly on grounds of time constraints, to restrict the sample to firms in the Toronto, Montreal, and Ottawa metropolitan areas, with the result that, while the profile thus obtained includes the great majority of film-production companies, the problems of regionalization of the film-production industry may merit additional attention in a future study.

In the public sector, the National Film Board (NFB), the Canadian Broadcasting Corporation (CBC), and the Canadian Film Development Corporation (CFDC) are together responsible for by far the largest volume of film-production in Canada. Some federal departments and agencies are also engaged directly or indirectly in the production of audio-visual material, but on a relatively small scale. Attention will be drawn later in this report to the role of Statistics Canada as a source of information on the film industry, and the policies of Revenue Canada with regard to taxation. Less time, however, has been allocated to the examination of the public sector than of the private sector, because information about the latter has to be gathered from a large number of relatively small units, and because government policies for the public sector can be implemented by direct action while more data are required as a basis for government action in the private sector.



#### 2.4      Range of Interviews

Before proceeding to interviews with representatives of the units included in the sample, a standard format was devised. Information was sought in relation to three main aspects of the study: the elaboration of a detailed profile of the industry based on the sample; the identification of economic relationships and business mechanics; and the discovery of the problems of industry as seen by individual producers, as well as suggested action for their resolution. The wide range of topics and the concerns of the participants resulted in interviews lasting between two and six hours, with an average of three hours for each of the participating companies. The resultant information is obviously not exhaustive but is thought to be pertinent and accurate as a reflection of the profile of the industry and the attitudes of those engaged in it.

### 3. PROFILE OF THE FILM-PRODUCTION INDUSTRY

In establishing a profile of the film-production industry in Canada, three aspects have been separately considered: its size, its structure, and the degree of integration both horizontal, in terms of product diversification, and vertically in terms of process or with other sectors of the film industry as a whole.

#### 3.1 The Size of the Industry

In estimating the size of the film-production industry, a difficulty arises in relating data on sales volume to expenditure on production, since the former may relate to a later period than the latter. The most important measure is probably the expenditure on production in the private and public sectors but, since the data available are inconsistent in this regard, it is necessary to compromise by aggregating information that is by its nature incompatible. For instance, Statistics Canada records only sales revenue for the private sector, while some figures for the NFB, the CBC, and the CFDC relate specifically to current expenditures on production.

For the private sector in 1973, Statistics Canada<sup>(3)</sup> identifies sales revenues of \$24,561,000 from film production and \$13,011,655 from videotape production, for a total of \$37,572,655 earned by 143 firms engaged in film production and 9 engaged in the production of videotape, with a total of 1162 employees. In the same period, the NFB incurred direct production costs of \$5,691,000. The CBC, meanwhile, spent \$162,845,000 on program production, and an additional \$7,895,000 on supervision. The CFDC does not incur direct expenditures on production, since its only function is to subsidize the private sector. Table 1 summarizes the foregoing figures.

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(3) Statistics Canada, op. cit..



TABLE 1

APPROXIMATE EXPENDITURES ON FILM & PROGRAMMING - 1973\*

(\$ millions)

|                 |                      |           |
|-----------------|----------------------|-----------|
| Private Sector: | Film :               | 24.561    |
|                 | Video :              | 13.012    |
| Public Sector:  |                      |           |
|                 | NFB - direct costs : | 5.691     |
|                 | CBC - direct costs : | 162.845   |
|                 | - supervision :      | 7.697     |
|                 |                      | <hr/>     |
|                 |                      | 213.806** |
|                 |                      | <hr/>     |

\* Sales by laboratories and processing firms, amounting to \$13,872,000 are included in production expenditures by the private sector.

\*\* Provincial agencies film and programming costs are not included in total, but are estimated for 1974 at approximately \$30 mm.

(Sources: Statistics Canada, Catalogue #63-206; NFB and CBC annual reports.)

It must be emphasized that, because of the different bases of the figures in Table 1, the total must be regarded only as an approximation of the real volume of film production.

There are two other considerations that suggest some reservations about accepting the total figure in Table 1 as a true index of the size of the film-production industry. There is probably an element of duplication in the figures; for example, if the CBC commissions a documentary from a producer in the private sector, the cost will appear as an item of expenditure for the CBC

and of revenue for the producer. The NFB and CBC figures for expenditures are not strictly related to total cost-recovery, and are based on accounting practices quite different from those followed in the private sector. Moreover, CBC expenditures on program production obviously include a large amount of live programming which is not recorded on film or videotape, or the outright purchase of programs produced in previous periods.

It was therefore decided to attempt another estimate based on empirical verification from expert sources in the industry. Allowing for some growth between 1973 and 1975, when the later survey was made, the figures in Table 1 for the private sector have some credible support, but it was strongly suggested that the NFB production expenditures had been underestimated, while those for the CBC obviously included large expenditures for elements of program production other than current film and videotape production. The results of these empirical estimates are shown in Table 2, which gives a very much lower and probably more accurate picture of the real dimensions of the film-production industry in Canada.

Perhaps the most striking conclusion to be drawn from the widely differing figures in Tables 1 and 2 is that the scant data available are insufficient as a basis for the formulation of government policy, and that steps should be taken to establish more comprehensive and detailed information. It can be said, however, that film production in the private sector is a small industry whose current level of production expenditures is unlikely to exceed \$50 million a year, and that the public sector, which is responsible for more than two-thirds of total expenditures by the most conservative estimates, exercises a disproportionate influence on the structure of the industry by being both a producer and the purchaser of a significant portion of the output of the private sector. At the same time provincial governments have become more and more involved in the production of industrial and other media material, either through their own newly established facilities and in some instances by commissioning private producers.



TABLE 2

ESTIMATED VOLUME OF FILM PRODUCTION IN CANADA - 1975

(\$ millions)

Private Sector:

|                                     |            |      |
|-------------------------------------|------------|------|
| CTV Network                         | 20.0       |      |
| Films sponsored by NFB              | 2.2        |      |
| Industrial, commercial, documentary | 6.0        |      |
| Educational                         | 2.0        |      |
| Feature films                       | <u>8.6</u> |      |
| Total private sector                | 38.8       | 38.8 |

Public Sector:

|                  |             |             |
|------------------|-------------|-------------|
| Federal: CBC     | 65.0        |             |
| NFB              | <u>17.0</u> |             |
| Total Federal    | 82.0        | 82.0        |
| Provincial: OECA |             | 7.0         |
| OFQ              |             | 12.0        |
| Other            |             | <u>10.0</u> |
| Grand Total      |             | 149.8       |

(Sources: Empirical enquiries.)

3.2 Structure of the Film-Production Industry

As has been said, the structure of the film-production industry in Canada is dominated by the public sector. As regards the private sector, an analysis has been made of the number of units active in the industry, the average size of those units, and their geographical distribution throughout the country.

### Number of Active Film-producing Units

The number of film-producing units is in a continuing state of flux, since entry and exit are easy. Any increase in demand may induce freelance producers or potential investors to incorporate, since initial capital requirements are low, in order to engage in production on a project-by-project basis.

Statistics Canada sends questionnaires to over 400 companies, partnerships, and individuals in the film-production industry; about 300 responses are usually received, of which perhaps 200 are regarded as valid for the purpose of tabulation. In 1973, however, Statistics Canada listed a total of only 143 firms actively engaged in the industry, a figure which suggests that, disregarding the ephemeral fringe, there remains a core of some 150 film-producing units in Canada. Even this group, however, operates at least on a year-to-year basis and cannot be regarded as homogeneous, for a fairly rapid turnover and erratic changes of business volume occur within it, although some of these firms have been in existence for many years. The base of some 150 firms probably represents a persisting element in the private sector.

### Size of Units in the Private Sector

The size of units in the private sector has been analyzed by three standards of measurement: output, number of employees, and amount of capital investment.

#### Output

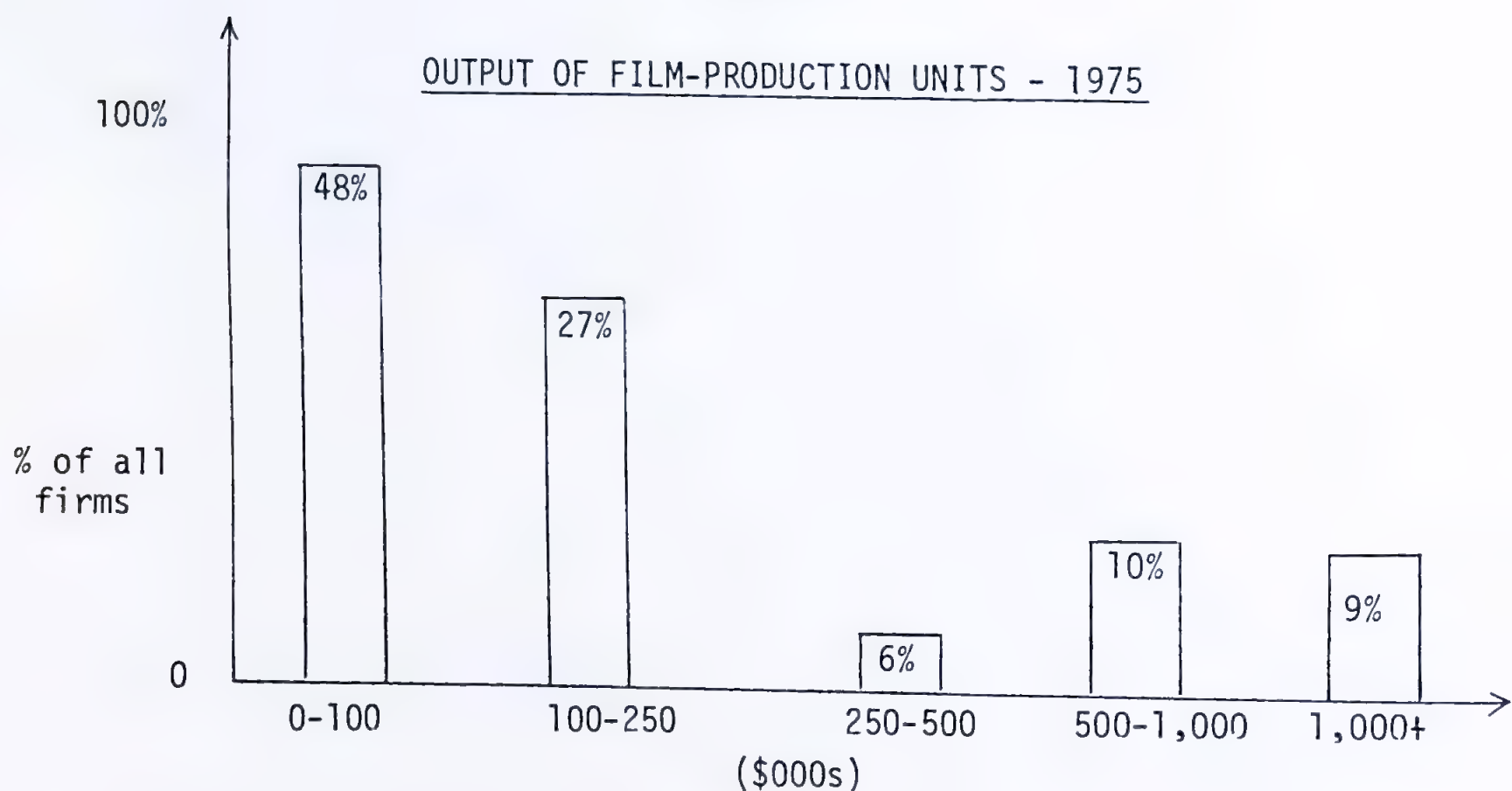
In the film-production industry, one standard of measuring output is physical; production can be measured in units such as feet or screening-time of film and videotape. Since few statistics are available in the latter form, in this study, output has been examined



in terms of dollar value, using only the revenue to the producer from the immediate market for his products and disregarding the often wider consumer-market in other media. An attempt has been made to relate revenue figures to the actual value of production in the period in which it was done.

The first distribution of comparative volumes that was examined, shown in Figure 1, is perhaps the least reliable, for output is measured by revenues and some of the firms included are engaged in distribution as well as production; it is evident, however, that the majority of the firms in the industry are small by any industrial standards.

FIGURE 1



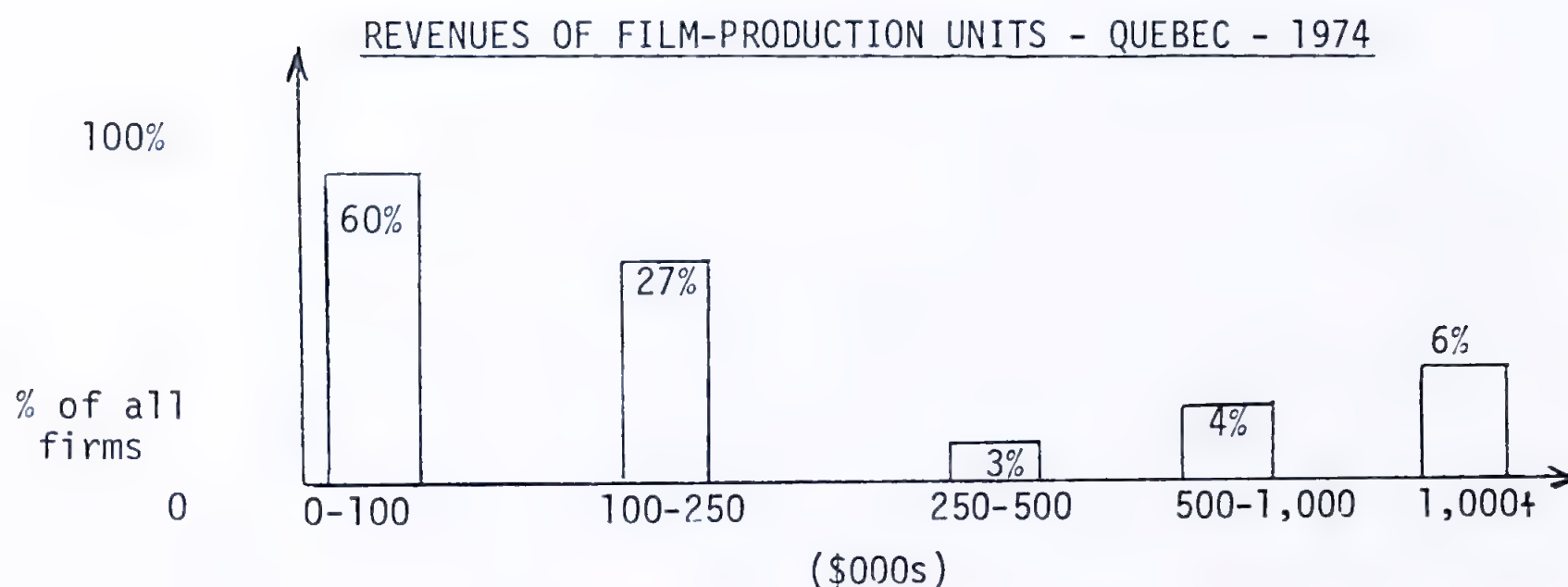
(Source: Statistics Canada: Special tabulation and estimates - 198 respondents.)

It will be noted that there appears to be a critical point above an output of \$250,000 which leads to larger percentages of firms with a volume of output exceeding \$500,000. It is possible that this

may be a distortion owing to the inclusion among the larger firms of some that are also engaged in distribution; the point will be examined in relation to the figures in two other surveys described below.

The second survey, illustrated in Figure 2, was based on data for Quebec only, from which 75 firms engaged only in production were classified by volume of revenue. This sample, although limited geographically and based on revenue rather than output, affords an opportunity to check the distortions in Table 1 that may be due to the inclusion of some distribution elements.

FIGURE 2



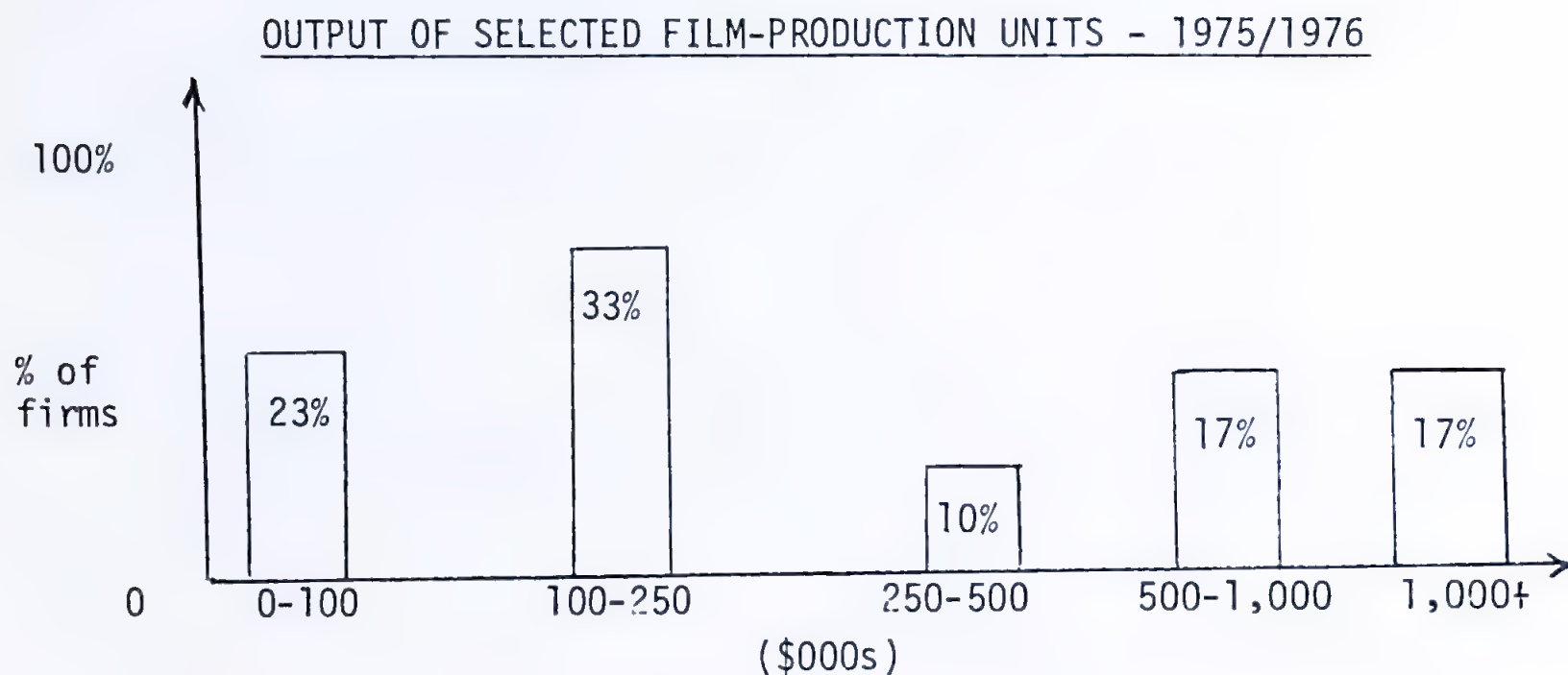
(Source: Office du Film du Québec, Données statistiques sur l'industrie québécoise du cinéma - 75 respondents.)

Three features of this distribution merit attention. The much higher percentage at the lower end of the scale confirms that in Quebec total output is shared by a larger number of units. At the higher end, the percentages are lower than in the previous sample, probably because no distribution revenues are included. Nevertheless, the critical point above \$250,000 is again indicated.



The third survey was based on the sample constructed specially for this study, comprising about 30% of the total number of firms actively engaged in film production in Canada. The resultant tabulation in Figure 3 is based on production output rather than revenues.

FIGURE 3



(Source: Special survey - 36 respondents.)

Although, in this sample, the number of firms with an output of \$250,000 or less is again in a majority and the critical point above \$250,000 is again marked, the weight is heavier at the higher end of the scale, perhaps indicating that the distribution in Quebec is not typical. In general, the levelling of the percentages as compared with the two previous samples suggests that the special sample constructed for this study is more representative of the profile of the industry as a whole.

The following general conclusions can be drawn from the

foregoing figures and observations:

- i. The great majority of film-producing units are very small, with an output of \$250,000 a year or less.
- ii. A majority of these small units have an output of \$100,000 a year or less.
- iii. There are clear indications that units with an output between \$250,000 and \$500,000 find it difficult to survive, since there are higher percentages of units with an output of \$500,000 a year or more.
- iv. It may be surmised that this critical level of output indicates the point of transition from the one-man or family type of operation to an output that requires a fully organized corporate identity, with more complex delegation of authority and specialization of labour.
- v. It thus appears that this more complex type of organization for film production must have an output in excess of \$500,000 a year to survive.

Number of Employees<sup>(4)</sup>

There appears to be, as might be expected, a direct correlation between the number of permanent employees of a film-production unit and its output. It was found, within the sample used in this study, that:

- 38% of units had fewer than 5 permanent employees,
- 37% had between 5 and 10,
- 13% had between 10 and 20, and
- 12% had more than 20.

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(4) A separate study in this series gives fuller information on employment in the film-production industry.



This spread of percentages closely resembles that for output. It may therefore be inferred that the majority of production units with 10 or fewer permanent employees have an output of \$250,000 or less, that the mean level of permanent employees is about 6, and that the average volume of output per permanent employee is about \$35,000.

These figures reflect the industry practice of having as few permanent employees as possible, since the volume of future output is always hard to predict, and of relying on freelance retainers when the volume of production increases from time to time. No exact figures on freelance employment are available, but it is estimated from responses to enquiries in this study that, in the course of a year:

30% of units retain at least 5 freelancers,

25% retain up to 10,

35% retain between 10 and 20, and only

10% retain more than 20.

These approximations reflect the flexibility of hiring practices in the industry, which enable producing units to make rapid temporary additions of personnel to meet suddenly increasing levels of output.

#### Levels of Investment

The flexibility of the film-production industry with regard to numbers of permanent employees has a parallel in levels of investment. Entry into the industry can be effected with a relatively small investment of fixed capital. A production unit often relies heavily on outside technical resources, and may rent, as required, equipment and physical facilities, such as studios and laboratory services. This implies, however, a substantial level of investment in the outside resources on which many film-producing units rely,

a factor that must be taken into account in estimating the total level of investment of fixed capital in the industry.<sup>(5)</sup>

Within the sample used in this study, it appears that the pattern of fixed-capital investment is similar to the patterns for output and permanent employment. It is estimated that the levels of fixed-capital investment for different percentages of production units are as follows:

- 30% - \$50,000 or less,
- 30% - between \$50,000 and \$100,000
- 25% - between \$100,000 and \$250,000, and
- 15% - more than \$250,000.

The highest levels of fixed-capital investment are mostly in the firms that have an annual output of \$1 million or more. It also appears that there is a close correlation between fixed-capital investment, output, and permanent employment.

### Integration

Two types of integration have been examined: first, horizontal integration with regard to the range of products in particular units; and second, the vertical integration of functions that form part of or are related to the production process.

#### Horizontal Integration of Product Types

Of the production units examined in this study, 35% were

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(5) Requirements of working capital are examined in 4.4.



engaged in the production of at least one feature film; the proportion was rather higher in Quebec. Units that produce feature films all devote more than 25%, but few more than 40%, of their production to that type of product. The largest general concentration of activity is in production for the non-theatrical market. Only 8% of the units in the sample confined their operations to a single product, such as commercials or educational material. In every other case, production was spread over documentaries, series and specials for television, commercials, sponsored films, and educational films or other material. The extent of diversification in the industry is illustrated by the aggregate composition of product output, which goes as follows:

|                                    |     |
|------------------------------------|-----|
| Sponsored films                    | 22% |
| Products for the theatrical market | 16% |
| Television - documentaries         | 21% |
| - series and specials              | 9%  |
| Educational material               | 16% |
| Commercials                        | 11% |
| Other                              | 5%  |

About half the units in the sample produce at least three of the above product lines. Some 80% have at least two products in the non-theatrical sector, and about half of them have three. The reasons for this diversification are not known, but probably lie in the necessity to seek a variety of markets in order to achieve a sustaining level of production.

#### Vertical Integration of Functions

While some film-production firms engage also in the marketing and distribution of their products, this study of vertical

integration has been confined to the several functions involved in the production process up to the point where the product is ready for delivery to the immediate customer. These functions include scripting and content development, filming, editing, and processing, which require resources such as camera crews, studios, sound laboratories, all of which may be rented from outside the production unit itself.

The great majority of units do not fulfil all these functions internally. For instance, only one firm did its own processing, and that through an affiliated laboratory. Only another 25% of the firms in the sample undertake the whole production range, other than processing, themselves, while some 73% farmed out the entire technical process other than editing.

The absence of a high degree of integration in the actual process of production confirms the nature of the industry structure already indicated by the low level of fixed-capital investment. Ease of entry to the industry is ensured by the existence of a sub-structure of ancillary facilities and resources, which is in a better position than all but the largest producers to adapt to the very rapid technological advances which characterize the whole field of audio-visual material. The picture emerges of a production industry comprising a large number of producing firms, few if any big enough to win a share of the market sufficient to sustain all the facilities and resources needed for large-scale production, and an infrastructure of more solidly established firms or individuals providing the necessary services and physical resources as and when they are required.

A few laboratories have participated in production through acquiring a minority interest in particular projects. Some others have recently set up affiliate or subsidiaries to undertake production, and this is a trend that is expected to increase in



importance. Similarly, some television networks and stations, having a demand that is predictable, stable and controllable, have set up affiliates or subsidiaries for program production. Where demand is erratic, however, as it is for most production units, and the market is thinly spread and dominated by government agencies, the capital intensive field of support services is likely to remain unattractive to producing units. The reasons for this are high risk factor and relatively small resultant benefits, coupled with an unacceptable or restrictive loss of flexibility in the possibility of product diversification in response to fluctuating demand and cyclical changes in the economy at large.

### 3.3 Geographical Distribution of the Industry in Canada

The main weight of the film-production industry in Canada, measured by volume of output, is concentrated in the Toronto, Montreal, and Ottawa metropolitan areas, from which the sample used in this study was drawn. About a quarter of the production firms listed by the Department of the Secretary of State are scattered throughout the rest of Canada, but account for, at most, no more than 10% of total production.

As has been shown, the majority of film-production units are dependent on the availability of specialized services and facilities. This sector of the film industry operates on the principle of high turnover and low profit margins, and therefore tends to be concentrated in areas where demand is high. All but the largest film producers naturally locate where these services and facilities are readily and speedily available. Similarly, there is a natural tendency for film producers to congregate in the areas where their principal markets are located. The largest potential customers are federal organisms such as the NFB, the CBC, together with provincial educational organisms, major distributors, and television networks and major

corporations that operate in the metropolitan areas included in this study. These concentrations facilitate the continuous relationships that must exist between producers and the service sector on the one hand, and between producers and customers on the other, while reducing the costs of transporting people and materials. Producers located further afield are thus at a disadvantage in many respects. The pattern in Canada is very similar to that in most other film-producing countries. In any consideration of means to redistribute the industry in the several regions of the country, particular attention would have to be paid to the availability of the necessary services and facilities on which the majority of film producers rely.

Another factor in the geographical distribution of the film industry in Canada is the location of the principal markets for English-language and French-language products. The latter is relatively isolated in Quebec with its own television networks and stations, and theatrical, industrial, commercial, and educational markets. Apart from some degree of overlap which has not been identified, film-production in Quebec in 1974 was estimated at perhaps as much as \$20 million,<sup>(6)</sup> including \$6 million for feature films and \$12 million sponsored by the Office du Film du Québec, an agency of the provincial Government. Thus Quebec, with about 28% of the population of Canada, is responsible for some 40% of Canadian film production, a volume shared by 70 active firms. The number of firms in relation to the volume of production is therefore slightly higher in Quebec than in the rest of Canada.

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(6) Source: Office du Film du Québec, Données statistiques sur l'industrie québécoise du cinéma, 1975.



#### 4. MARKETING AND ECONOMIC ASPECTS OF FILM PRODUCTION

This section deals with the business relationships between producers and their clients, the process of securing a larger share of the market, costing and pricing policies, and the sources of investment funds in relation to the risks entailed.

##### 4.1 The Producer and His Clients

Production of non-feature films is very seldom undertaken as a speculative venture. In practice, when the concept for a film is developed, a ready-made market is usually available. The main deterrent is that a producer who makes a film without having first identified a client exposes himself to risks that few Canadian film-production firms are willing or able to accept. Therefore, although audience-reaction will determine the success or failure of a film, producers almost invariably enter into prior contractual arrangements with distributors which determine revenue expectations and sometimes provide for an advance payment; the producer thus has a framework for fitting his production costs to the prospective revenue they will earn.

Very few producers in Canada handle the entire marketing and distribution processes for their products. In most cases, producers are at least at once removed from viewers or consumers, since they enter into contractual arrangements with an intermediary, who either buys the product and assumes all the risks of marketing it, or with a buyer who wants products, such as industrial films or commercials, for the purpose of creating particular audiences. Producers therefore deal largely with clients whose views of the potential market for his products may differ from his own, and highly personalized and sensitive relationships are thus established.

There are three principal ways in which producers obtain access to markets:

- i. A producer may deal exclusively with a single distributor or agent.
- ii. A product may be directly commissioned and bought by a client.
- iii. A producer may contract with a distributor to cover certain market sectors or to handle particular types of product, and at the same time deal directly with one or more main clients for other types of product.

Successful film production is highly dependent on creative talent and an ability to conceive audio-visual means of communication. There is no repeat business in film production; every product must differ from its predecessors. Each successive episode in a television series must be a variant on a situation and characters that have proved to be successful. A client may call for a similar product, but the producer must always create new products in that style.

A producer generally develops a client's initial interest by offering an original concept or a presentation of a concept that the client himself may have in mind. The ability to turn a concept into a high-quality product is the basis of a producer's reputation. If a producer is to establish a differential standing in relation to his competitors, he must have, in order of importance, creative ability, a record of high-quality production, and a pricing policy that accords with the expectations of his clients. Very few products are sold on the basis of price alone, but distributors with an eye on probable market response and potential profit usually seek to hedge their risks by means of favourable agreements with producers.

A producer often has to maintain a close relationship with the client throughout the production process. In producing



television commercials, for instance, the approval of the client has to be sought and maintained at every stage. Documentaries, industrial and other sponsored films, and some other products may require less direct contact if a close personal relationship has been established between producer and client. The need for such relationships is less for larger production firms that have consolidated a reputation for creative ability and high-quality execution.

#### 4.2 Mechanisms of Growth

The growth of individual film producers in Canada has been inhibited by the small scale of the total market, and by the dispersal and diversity of demand; the great majority continue small in size, and only a very few have an annual output exceeding \$1 million. Thus no producer has been able to secure a predominant share in any geographical or product segment of the market, and the industry remains highly competitive. Small firms minimize their risks by economical employment and investment policies that are quickly responsive to the erratic nature of demand, thus maintaining a high degree of flexibility in their operations. Reliance is placed on outside providers of services and external capital facilities, and the most valuable resource of a small producing firm is its stock of in-house creative ability.

It has been shown that there appears to be a critical point in the growth process, when output is somewhere between \$250,000 and \$500,000 a year, which has to be overcome before a production firm can survive on a larger scale. This is the point at which weighty decisions have to be made about the delegation of authority, the specialization of labour, and the acquisition of technical and other facilities. Certain economies of scale may be expected, but the factor that limits growth is the extent to which the in-house creative capability can be stretched or augmented without loss of quality and originality.

A growing production firm will tend to invest in creative talent before it feels ready to adopt a degree of integration of its

production process through the acquisition of additional facilities. This policy retains a great deal of flexibility, for human resources are more readily retractable than fixed assets, with the result that the film-production industry has a 'feast-or-famine' reputation in the specialized labour market.

It may be concluded that, unless there is a substantial increase in demand in the private sector or some new demand created by technological advance, the flexibility that most small producers regard as essential to survival will continue to govern the structure of an industry made up largely of small volatile units relying on outside providers of technical services and facilities. There appears to be little inclination on the part of small-scale producers to take the risk of becoming more competitive in selling specialized products, and so developing into medium-sized firms offering more stable permanent employment.

#### 4.3 Costing and Pricing Policies

Cost-consciousness is not one of the hallmarks of the film-production industry, especially among the smaller firms. The problem is very often caused not so much by an unwillingness to establish costing standards as by a lack of familiarity with basic business principles. All too often cases have occurred in which ordinary methods of financial control and rational assessments of risk have either been ignored or have been disregarded in the euphoria of imagined creative genius. This is not to say that creativity and administrative competence are incompatible; even the most elementary practices in financial control can engender substantial benefits. The incidence of problems of this kind has led many film producers to adopt more or less effective techniques of budgeting and costing and, as a general observation, the most consistently successful have been those that have merged creative talent with commercial flair and sound administration. The largest film-production firms have all developed rigorous budgetary standards



and financial controls. Many of the smaller units are in urgent need of assistance in learning the value of proper business methods and how to operate them effectively.

A major contributing factor to the problems of cost control in the film-production industry is that many costs are 'uncontrollable', since most producers are heavily dependent on outside sources of services and facilities. In addition to what often appear to be capricious fluctuations in price, the producer is also often the victim of errors, delays, and duplications on the part of his suppliers, which entail direct increases in production cost. This has led to a common, but mistaken, belief that projections and mechanisms for financial control are largely useless; the fact is that flexible financial planning and a strict adherence to budgetary standards are essential to a consistent record of profitability.

Pricing policy in the film-production industry is, of course, largely dependent on the cost of outside services and facilities, to which a mark-up is applied. Mark-up procedures vary from case to case and from one type of product to another. When a feature film is to be produced, the mark-up is not usually predetermined, but provision for break-even levels can generally be made within the distribution contract. For non-theatrical products, such as documentaries or sponsored films, there are no hard-and-fast rules, but certain general practices have been identified. A mark-up is usually applied to the estimated direct costs, that is to say the amounts to be paid for outside services and the use of facilities, which may include script development, camera-crew time, transportation, studio time, cost of film negative or videotape, rentals, performing talent, technicians, laboratory processing, and any other items that the producer cannot provide from his own resources. The mark-up on the total direct cost is calculated to cover overheads and provide a certain margin of profit. Definitions of 'overheads' vary, but may generally be considered as all the expenses involved in the day-to-day operations of the producing unit, whether or not production is in progress, and may include the remuneration of permanent

employees working on the project that is being costed.

Within a wide range of differing practices, the most generally used mark-up is 100% on the direct (out of pocket) production cost. A typical firm would figure on direct cost as 50% of the final price, which would include 30% towards overhead, 5% for contingencies, and 15% as a target for profit. It was found, however, that there were wide variations, and that in some cases overheads were put as low as 15% and profits at 10%, giving a total mark-up of only 50% for some products in some markets.

Another practice that was observed is based on an estimate of what the market would bear. Some producers would estimate cost on a time basis, say \$1,500 per "synch-sound" film-minute,<sup>(1)</sup> and then gauge, from previous experience, what the client might be willing to pay. This practice has obvious dangers, since it has no sound budgetary base and relies on the notoriously misleading process of averaging, although it may sometimes lead to profits higher than were expected. The absence of budgetary restraints may engender crises during the production process, emergency corrective measures to reduce costs, an inferior product, and customer dissatisfaction. Fortunately, there are very few firms that operate in this way, the majority having adopted at least elementary budgetary and control procedures. One firm in the sample presented a 20-page budget format, which clearly demonstrates that all costs can be itemized in detail with a high degree of precision. Other producers, constantly beset with problems that might have been foreseen, would do well to follow this example of the truth of the old adage that 'prevention is better than cure'.

Profits vary so widely that any attempt to arrive at an average figure could only be misleading. Film producing is intrinsically 'calamity-prone'. People go sick, or have accidents, or decide to stay

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(1) Synchronized sound to image.



home; equipment breaks down and replacements are not immediately available; one of the unions decides on a wild-cat strike; the weather turns sour - anything can happen, and in a flash a potentially profitable product can be turned into a loser. The risks are highest in the production of feature films, which depend for success in the first instance on paid attendance at movie-theatres and drive-ins, because the cumulative rake-offs by distributors and exhibitors means that an additional \$1 in cost over-run will raise the break-even point for ultimate revenue by perhaps as much as \$6.

Some of the variations in profits between one firm and another are undoubtedly attributable to under-utilization of fixed resources, for an increase in output generally affords some 'financial leverage'. A hypothetical production unit making four or five documentaries or industrial films in a year might have four permanent employees with a total remuneration of, say, \$48,000, and office and other related expenses of \$30,000. If the usual 100% mark-up is applied to direct costs of the four or five products amounting to \$80,000, giving a total selling price of \$160,000, the profit margin will be no more than \$2,000. But if business can be increased by 25% (i.e. another film) without any increase in overhead or permanent staff, the 100% mark-up on the increased direct cost of \$100,000 will leave a profit margin of \$22,000.

The evidence among those interviewed is that many production units could increase output by some 50% without any increase in overhead or permanent employees, and that some might be able to double their output with only marginal increases in their in-house expenses. Attention has been drawn to the difficulties that appear to be encountered by units with an output of between \$250,000 and \$500,000<sup>(7)</sup>; the reason may perhaps be found in the low profit margins that exist when in-house resources are not fully utilized.

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(7) See Figures 1, 2 and 3 above.

Pricing policies are not homogeneous throughout the industry, or for different types of product. The practice of applying a mark-up on direct cost for non-theatrical products may have to be modified to meet competition, as is generally the case with educational material. Here, going prices are heavily influenced by the NFB, which does not have to operate on a cost-recovery basis and is said to price its products arbitrarily below normal market levels; other producers of educational material thus have to adjust their production and marketing programs to compete with an organization that is not subject to the ordinary control mechanism of the market-place. The CBC also applies cost restraints when procuring material for its programming, which in practice is a major vehicle for Canadian producers who wish to sell first in Canada. Producers in the private sector believe that these agencies of the federal government are thus distorting the price structure of the market in a way that is detrimental to the healthy growth of the private sector of the Canadian film-production industry.

For some other products, industrial and sponsored films in particular, competition is less restrained, and prices are related to potential audience-exposure. One large Canadian producing firm has issued a pamphlet in which the cost and pricing of a half-hour industrial film are rationalized as follows: with a basic cost, including printing materials and prints, of \$50,500 for production in English and French, and distribution costs to some 3,000 community showings and over 200 telecasts in a period of five years amounting to \$18,250, the total cost would be \$68,750, or \$13,750 a year. With an estimated total audience of 7,300,000 persons, the cost of showing a half-hour film amounts to less than 1¢ per person. The price that the sponsor is willing to pay is governed by potential commercial or promotional advantages that this level of exposure is expected to induce. Obviously, this relationship cannot be exactly determined, and pricing becomes the subject of a bargaining process between the producer and the sponsor.



Rather similar considerations apply to the pricing of products in Canada are integrated into the distribution and exhibition sectors of the film industry. Thus, in this field, most producers are not dealing directly with the consumer but with a distributor whose main concern is the audience-acceptability of the product. A distributor may purchase a product outright, but more often he will enter into an agreement with the producer giving the latter a percentage participation in the revenues actually received by the distributor. Agreements may take any one of a number of possible forms with regard to the priorities to be followed in the sharing of the agreed. For example, the distributor may agree to make an advance payment in some cases, while in others the producer may not receive anything until revenues have exceeded an agreed level, or there may be a sliding scale applied to cumulative revenue. In any case, the producer's ultimate receipts and the risks he incurs are governed by the terms of the agreement; if the producer has a low priority and a small percentage, his risk factor is correspondingly greater.

Few theatrical products made in Canada can be expected to make a profit, or indeed to break even, if they are shown only in Canada. International acceptance of Canadian films, even on a small scale, is a relatively recent phenomenon, and Canadian producers are still inexperienced, if not naive, in dealing with large distributors. The terms of a distribution agreement with regard to international rights are crucial to the commercial success of a theatrical product made in Canada, and many have been under-sold. The bargaining position of Canadian producers would be greatly improved if means could be found to strengthen the domestic market and so reduce dependence on foreign sources of revenue, but they could also be assisted by an information program aimed at developing knowledge of the distribution networks available and the most profitable ways of dealing with them in regard to international distribution.

#### 4.4 Investment in Film Production

The film-production industry requires investment in two forms: capital is required for the fixed resources that enable film to be produced, and working capital is required for the actual production of particular items. When it is said that someone has 'invested' in a feature film, he is in fact providing funds for its production in the hope of making a profit.

As has been mentioned previously, the capital needed for entry into the film-production industry may be as little as the cost of incorporation, and in many cases does not exceed \$25,000, since producers are able to rely on an infrastructure of firms providing many of the specialized services and facilities required for film production. In general, the need for capital investment in the firm itself is therefore limited and will grow at a lesser pace than an increase in output. However, some production firms, particularly those specializing in educational materials, require a larger capital investment to enable them to maintain their own inventories.

The need for working capital varies with the nature of the producer's business, and is governed by the practices of the industry and its clients with regard to payments for finished products. Those that are being made for immediate clients, such as industrial and other sponsored films, television specials and commercials, and material commissioned by provincial educational authorities, are paid for on a progressive basis that enables the producers to cover the costs of production as they occur, generally without having to use his own or outside funds. For example, an agreement might call for payment of one-third of the price immediately, one-third when shooting starts, and a final payment of one-third on completion. It can happen, however, that actual expenditures by the producer may not be so evenly spaced, and additional funds are required in the early stages of shooting; in such cases, the producer may use funds he has or can borrow from a financial institution. Canadian banks will not normally lend money



against a film-production contract alone, and will require a general assignment of inventories and receivables.

Production companies that sell their output through distributors and depend on a stream of future revenues need much larger amounts of working capital, and will often seek to hedge their risks by inducing outsiders to participate. The distributor may agree to make an advance payment. An indirect means of reducing the need for working capital is the deferral, by agreement, of payments to artists or the firms providing specialized services and the use of facilities; the producer thus incurs no immediate cost for these resources, which will be paid for from revenues as they are received, on an agreed priority, with a share in the ownership of the product thrown in as a bonus in most cases.

In other cases, it will be necessary for producing firms to seek the investment of funds by outside parties in return for a share in the ownership of the product. An investor in a particular film or videotape production may shelter his income from taxation by taking advantage of an accelerated capital-cost allowance ranging from 60% to 100% depending on the origin, type, and length of the product. In practice, however, Revenue Canada has wide discretionary powers in administering accelerated capital-cost allowances, and has tended to resist or delay deductions with regard to investments in film production; the potential advantages are consequently less attractive, and there will be no increase of confidence in film production as a field for investment until the discretionary powers of the Department have been defined and the rules more precisely stated.

In the United States the market is more sophisticated and bankers are more experienced in financing film and television production ventures. This has the effect that film producers in the U.S. are willing to enter into production commitments where the pay-offs are spread in the future and are able to do so with the support of experienced financing institutions. In Canada, the small scale and relatively recent development of the film-production industry has not afforded the

opportunity for banks and other financial institutions to gain much expertise in this field, and consequently the sources of working capital or operating funds remain very limited.

#### 4.5 Risk Factors in Film Production

The enormous discrepancy between the results of success and failure in the film and television industries in the United States has given rise to a common but mistaken perception of the nature of risk in these industries, a picture of boom or bust, feast or famine, and vast gains to be made at risk of total financial destruction. In fact, much of the business of film production is relatively free of risk, and potential profits are correspondingly limited. The nature of risk differs in the two principal sectors of the industry, which produce for the theatrical and non-theatrical markets. Three types of risk are involved, deriving respectively from the happenstance of the production process, fluctuations in the cycle of demand, and the degree of acceptance by clients and audiences.

Producers in both the theatrical and non-theatrical sectors are exposed to risks arising from uncontrollable factors that may affect their production operations and result in cost over-runs. The general dependence on outside firms providing specialized services introduces a largely uncontrollable element of cost, since prices may increase beyond those allowed for in the budget. The risks in this regard can, however, be minimized by budgetary foresight and competence; cost over-runs arising from unpredictable events during the production process cannot be avoided.

Fluctuations in demand, however, are the critical elements of risk for both sectors, but the effects are not necessarily suffered at the same times. The production of feature films is thought by some to be inversely affected by fluctuations in general business conditions, but constitutes the less important sector of the industry as a whole.



Producers for the non-theatrical market, on the other hand, are particularly vulnerable to the effects of business cycles in industry at large, since they generally operate on a small scale with narrow profit margins. In times of government budget cut-backs, expenditures by governments and industry on the audio-visual media are often among the first to be cut. In these circumstances, the sudden contraction of the market is likely to have a devastating effect on production firms that have limited financial resources to tide them over until an upswing occurs, since many of them are already operating at or only just above the break-even point.

The third type of risk, to which both sectors are exposed, is the acceptability of their products to clients or audiences. In the non-theatrical sector, the credit rating of the client must be taken into account, but the stability and growth of the producing firm depend on a solid reputation for high-quality products at acceptable prices; a single client dissatisfied with a particular product may do irreparable harm to a producer's business. In the theatrical sector, the risks are greater, since the producer's ultimate revenues are dependent not only on audience acceptance of his product but also on his acuity in negotiating a deal with the distributor.

The more powerful the distributor, the tougher the deal but the greater the market exposure. The largest distribution networks are under foreign control and, while they may accept some Canadian products if a favourable deal can be negotiated, they are primarily responsible in handling the products of their parent or affiliates. The largest buyer of products other than feature films in Canada is the CBC, which spends less than 6% of its operating expenses<sup>(1)</sup> on outside productions and film rights, most of its programming being produced in-house. The distribution structure in Canada therefore makes it very difficult for an independent Canadian producer to market

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(1) Source: CBC Annual Report, 1974-75, p. 49.

his products and, since his room for manoeuvre is so limited, almost any deal may appear better than none, an attitude that is compounded, in many cases, by ignorance of or a lack of interest in the most effective ways of marketing his products.

Many Canadian producers are product-oriented, in the belief that the production of a high-quality product is an end in itself and that its quality will be automatically appreciated by audiences. In fact, the agreement with a distributor is not just a financial arrangement, because the return to the producer will depend on the distributor's commitment to promoting the product. A contract that entails no such commitment by the distributor puts the producer into a situation similar to that of a manufacturer who places his products on consignment with retailers; if the product sells well, both make money, but the retailer is under no obligation to promote the product. On the other hand, if the distributor can be induced to invest in the production, it will be in his interest to publicize it in order to secure the widest possible exposure. The great advantage to the producer from a distribution contract of this kind is that it reduces his own risks while potentially increasing the return that he may expect to receive if there is a high degree of acceptance by audiences.

In sum, it may be concluded that the highest risk peculiar to the Canadian film-production industry and the biggest factor inhibiting its growth are the small size of markets and the unpredictability and instability of demand levels. Furthermore, the structure of distribution in Canada and its relationship to production are not conducive to greater initiative on the part of producers, and often fail to match supply and demand. A larger and more stable industry, composed of fewer production units with outputs higher than the present average, would probably of itself engender closer and more beneficial relationships with the distribution sector of the film industry as a whole.



5. THE PUBLIC SECTOR

5.1 The Federal Government and Its Agencies

The federal Government exercises an important influence on the film-production industry in Canada in a variety of ways. In addition to the agencies principally concerned, which are dealt with separately below, a number of federal departments and agencies are directly engaged in the procurement or production of audio-visual materials. Strictly speaking, all departments and agencies are under a statutory obligation<sup>(8)</sup> to use the National Film Board as the intermediary for the procurement of films. However, the statutory definition of 'film'<sup>(9)</sup> does not cover many other forms of audio-visual material, for which the Department of Supply and Services acts as general procurement agency; in addition, a number of departments are known to be purchasing directly from producers, while others have set up in-house facilities for production.<sup>(10)</sup> All in all, the federal Government and its agencies are predominant in both supply and demand for Canadian production. In addition to the CBC and the NFB, which together account for some 55% of total film and videotape production expenditures in Canada (see Table 2 above), and to direct expenditures by government departments, the CFDC makes seed-money available for investment in production in the private sector. The Canada Council, which is not an 'agent' of the Government precisely speaking, makes grants that are generally beneficial to the film industry

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(8) National Film Act, sub-section 11(1).

(9) "'film' means motion pictures, still photographs, photographic displays, filmstrips and such other forms of visual presentation as consist primarily of photographs or photographic reproductions;" - National Film Act, S.2.

(10) For details, see the report in this series entitled 'Markets for Film Products', - 'Federal Procurement Arrangements.'

but do not have a significant impact on the production sector. The Canadian Radio-Television Commission (CRTC), which is charged with the supervision and regulation of the Canadian broadcasting system, plays no direct part in the market but has had an important impact on the level of demand by stringent increases in the required proportion of Canadian content in television programming.

#### The Canadian Broadcasting Corporation (CBC)

In 1973, CBC total operating expenditures for programming and program supervision amounted to just over \$170 million (see Table 1 above), of which, according to empirical estimates (Table 2), only some \$65 million represented current costs for film and videotape production, or about 54% of the total for the whole industry. Valid comparisons with the private sector, however, are obscured by CBC accounting procedures and budget classifications of operations.

Since 1968, there has been a very substantial increase in CBC expenditures on program production in Canada, largely on account of the insistence by the CRTC on a higher level of Canadian content than it imposes on the private television sector; it may be added, in passing, that Canadian-content requirements for the private sector have also been gradually increased, a factor that must have broadened the demand for Canadian film and videotape products. As for the CBC, most of this growth has been achieved by the expansion of the Corporation's internal facilities; it is estimated that only some \$8 million a year, excluding production of news items, has found its way to the private sector in the form of commissioned film or videotape production.

The capability of the CBC to commission work from the private sector is severely constrained by union agreements, particularly that with the National Association of Broadcast Employees and Technicians (NABET); the unions were formerly concerned chiefly with securing higher remuneration for their members, but have more recently been



concerned with protection of job security. Within the constraints imposed by union agreements, the commonest occasion for the CBC to commission outside production arises when programming demand is high enough to cause pressure on the Corporation's internal programming and production resources. In some instances, an outside producer may offer a creative concept which the CBC recognizes as having merit, and which cannot be acquired other than by commissioning the creative producer to undertake the production in whole or in part, or by taking him onto the payroll as a temporary employee. The same course is sometimes followed when the head of a CBC program-department consciously seeks to introduce a new creative element in programming. Thus there is a fairly continuous coming and going of professionals between the CBC and the private sector, many of whom received their training and much of their experience with the Corporation or the NFB. It should be noted, however, that individuals who freelance with the public agencies from time to time often do so because the volume of business in their own producing units is insufficient to provide them with adequate remuneration.

Despite the impact of the CRTC's more stringent Canadian-content requirements, the private sector has to compete not only with the CBC's internal production but also with programming produced in the United States, for which the Canadian public has such a marked appetite and which accordingly tends to be predominant in prime time. A U.S. producer normally recovers the whole of his costs from the market in the United States, and can therefore afford to offer his products abroad at prices that bear no relation to production costs but constitute a major part of his profits. The Canadian producer, by contrast, cannot recover his costs in the Canadian market alone, and must therefore rely on foreign sales merely to break even. This results in U.S. products being made available to Canada at considerably reduced rates and creates a difficult competition for the Canadian program producer.

A particular problem exists with regard to television rights in Windsor, which are included in CBC agreements with Canadian producers,

for stations in Windsor can reach a market of some 8 million people in Detroit and the surrounding area, a fact that considerably lessens the attractiveness of Canadian products to American buyers, since one of the larger individual markets in the United States is already covered.

The CBC has made some attempts to alleviate the disadvantages Canadian producers experience in competing with low-priced imports from abroad by negotiating payments for Canadian products based on estimates of production costs, a practice that increases the producer's receipts from domestic sources. Occasionally these may cover total costs for a Canadian product, but more generally producers are able, as a result of this CBC practice, to derive 20% of their receipts from the Canadian market, which provides an average of only 4% to 6% of the revenues of American producers. These kind of negotiated contract arrangements between a private producer and the CBC are limited to instances where the product is developed with the CBC from its inception. In the case of a producer going to the CBC with a finished product which has to be fitted into their programming, his earnings will likely be considerably lower and perhaps quite insignificant in relationship to his production costs.

The CBC normally acquires the rights to foreign distribution, the producer receiving an agreed share of the proceeds. If a producer thinks he can do better by handling foreign distribution himself or through an independent agent, the CBC may allow him to retain the foreign rights while reducing the amount paid to him since only Canadian distribution is covered.

Although, as has been shown, the CBC claims to be sensitive to the problems facing the private sector, actual experiences among producers vary greatly and many of these producers believe that the volume of production commissioned by the CBC could and should be increased, and that the reason it remains at an unsatisfactory level lies in an uncomfortable relationship between CBC programmers and the private sector.



An obvious limitation can be ascribed to restrictive agreements with the unions, but this is not the whole trouble. In fact, some CBC programmers allege, with no evidential justification other than rare incidents, that producers in the private sector are usually amateurish, incompetent, unbusiness-like, and short of creative talent. They do not pause to reflect that the small scale of most private producers is insufficient to support expertise in administrative, accounting and legal matters, and the CBC might well consider giving some guidance and even assistance in these fields. A more productive relationship might thus be engendered, which in turn would give freer scope for the creative talent that may be as widely found in the private sector as it is thought to be in the CBC itself.

#### The National Film Board (NFB)

The National Film Board was created in 1939 to meet the need for Canadian war-time film production, since the film industry in Canada at that time was virtually non-existent. The NFB is subject to the control and direction of the Secretary of State, but in practice the Board operates in all respects as an independent agency. Since the NFB has been widely criticized for exceeding its mandate, it may be time to examine its statutory purposes,<sup>(11)</sup> which have remained unchanged since 1950:

"The Board is established to initiate and promote the production and distribution of films in the national interest and in particular

- (a) to produce and distribute and to promote the production and distribution of films designed to interpret Canada to Canadians and to other nations;
- (b) to represent the Government of Canada in its relations with persons engaged in commercial motion picture film activity in connection with motion picture films for the Government or any department thereof;

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(11) National Film Act, Section 9.

- (c) to engage in research in film activity and to make available the results thereof to persons engaged in the production of films;
- (d) to advise the Governor in Council in connection with film activities; and
- (e) to discharge such other duties relating to film activity as the Governor in Council may direct it to undertake."

This mandate authorizes the NFB to engage in a very wide range of activities. In the early years, concentrating mainly on documentaries, the NFB won world-wide recognition of the high quality of its products and a reputation for technological advance and creative innovation. As almost the only producer of films in Canada, it attracted and developed all the film talent available in Canada, and produced a stream of excellent directors, camera-men, and technicians, many of whom have gone on to achieve international reputations for their work not only in Canada but in the United States and elsewhere abroad.

With the advent of television, the NFB extended its activities into production for that market, a development that led to the great era of the cinéma vérité, which was an indicator of social and technological change. The introduction of videotape technology became the basis for the move of the NFB into a phase of cinéma direct. In the late 1960s, the NFB program 'Challenge for Change' created a totally new approach to the use of film and videotape as catalysts for social change; in particular, the portable  $\frac{1}{2}$ " VTR camera<sup>(12)</sup> was used to demonstrate the two-way potential of audio-visual communications.

In 1963 a development occurred when the NFB began to produce feature films. Within the NFB organization, this development tended to augment the competition between French-language

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(12) VTR - video tape recording.



and English-language directors; the different cultural backgrounds in the two sides of the house had been, almost from the start, an obstacle to integration of the Board's operations. This new venture also became a focus for growing criticism on the alleged ground that the near-monopoly of the NFB, which was possibly justifiable in the much smaller Canadian economy of the 1940s, had become an insurmountable obstacle to the development of the private sector of the film-production industry.<sup>(13)</sup> The production of feature films by the NFB was halted by austerity measures in 1969, but the dissatisfaction of the private sector was not allayed.

With the remarkable early achievements of the NFB in mind, it is perhaps not surprising to find a universal belief among its personnel that its primary function is to maintain a film capability that will attract and foster creative talent without the constraints of commercialism. This messianic view extends into budgeting practices, for large resources are devoted to maintaining high quality standards with little regard for considerations of cost. Most people in the private sector who have worked for the NFB allege that the same standards of quality can be attained by some private production firms at lower cost and in less time. The fact is that, despite the high-minded attitude towards commercialism, the NFB is engaged in a wide range of quasi-commercial activities which compete with the private sector but are not subject to normal commercial constraints in costing and pricing.

In 1974, the NFB produced documentaries, feature films and fictional 'shorts', television series, theatrical 'shorts', animated films, sponsored films, community programs, and multi-media products. Whenever any one of these products is viewed by an audience, the market available to the private sector is thereby diminished. While few people in the private sector would argue that there is no room at all for a

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(13) This criticism was one of the factors leading to the creation of the Canadian Film Development Corporation.

national agency devoted to fostering creativity and producing artistic and cultural material of the highest quality, there is widespread resentment of the fact that the NFB sets competitive standards of pricing, which the private sector cannot match, for products that do not fall into that category but provide the means of survival for private film producers.

This resentment is expressed in criticisms of the NFB on the ground that its operations exceed its mandate, that its directing and technical staff is inbred, that its costing and pricing policies are unfair to the private sector, and that in its handling of films sponsored by government departments it does not give private producing firms a fair 'share of the dice'.

In fairness to the NFB, it is arguable that all its activities are covered by the generality of its statutory mandate. With regard to 'inbreeding', there is, as with the CBC, a fairly continuous coming and going of directors and technicians from the private sector. There is more substance, however, in criticisms of the pricing policies of the NFB and its handling of sponsored films.

The NFB is not obligated to make a profit, or even to recover costs, for products that compete with those of the private sector. Products are offered at prices that would not enable a private production firm to cover its costs, said to be lower than those of the NFB for similar products, and make a profit. The impact on the private sector, which had an estimated output of \$38.8 million in 1975, is severe, for the output of the NFB in 1975 amounted to \$17 million.<sup>(14)</sup> People in the private sector believe that its share would have been much larger if the NFB were not in a position to offer unfair competition supported by the availability of public funds. It is not clear why the NFB has embarked on a general pricing policy that is detrimental, if not destructive, to the private sector.

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(14) See Table 2 .



In the instance of the sponsored film program, one effect is that private producers are reduced to bidding on projects that have already been rejected by the NFB, and that, in this artificially restricted market, competition often becomes a life-or-death affair with contracts being awarded at ridiculously low prices which not only eliminate any possibility of profit but also have a lowering effect on standards of quality.

All films sponsored by departments of the federal Government must, by statute, be produced or commissioned by the NFB.<sup>(15)</sup> The Board is thus in a position to select those projects that it wishes to undertake with its own production resources, leaving the less attractive projects to be bid for by firms in the private sector. It is said that contracts are awarded with no apparent concern for the relationships between concept, quality, and price. As a result, production is often commissioned from firms that have neither the ability nor the resources to deliver a high-quality product at any price.

As recently as 1970-71, only 8% of the output of government-sponsored films was produced by the private sector, but the proportion rose rapidly in subsequent years. In 1975, out of a total output of just over \$4 million, about 50% was awarded to the private sector. Although this \$2 million amounted to only about 5% of the total output of the private sector, this has become a bread-and-butter item of business that enables some producers to make fuller use of their resources and occasionally make a small margin of profit. Any increase in this volume would be more than proportionately beneficial to the private sector.

An unfortunate feature of the procurement arrangements for government-sponsored films is that it reduces producers in the private sector to an entirely passive role. It is virtually useless for a

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(15) National Film Act, sub-section 11(1).

private producer to approach a government department with an original concept because, however enthusiastic the department may be about the value of the idea, there is no option but to toss it into the NFB administrative-machinery, where it is placed on the bidding list and any other production firm has a chance to win the contract, without having done the original conceptual groundwork and perhaps with no perception of the objectives of the department concerned.

Two changes in the procurement arrangements for government-sponsored films, both of which would require amending legislation, would be welcomed by the private sector. First, competition for the production of sponsored films should be thrown open to bids from the private sector without the preliminary selection of projects to be produced by the NFB itself; the NFB should be in a position to bid, but arrangements would have to be made for impartial selection of bids on the basis of the relationship between quality and costs of production calculated in accordance with commercial standards of accounting. Second, a department that has developed, or been offered, a concept particularly well suited to its objectives should be in a position to nominate the producer, subject to budgetary limitations and to normal procedures for the approval of all contracts by the Treasury Board.

If these changes in procurement procedures were made, a secondary benefit could be obtained from the introduction of mandatory advance publication of a total film budget for each fiscal year. The model would be the practice of the federal Department of Public Works, which annually publishes a construction budget itemizing the projects for which tenders are to be invited. Advance publication of the film-production program of the federal Government, indicating specific projects by type and budgetary limit, would enable producers in the private sector to identify the projects for which their resources are particularly well suited and to plan accordingly.

Another disturbing influence of the NFB has been in the educational film market. The NFB gives away or consciously sells at



substantially lower costs than private Canadian producers. It rationalizes this by presuming that the less it charges for its prints, the more the schools or school boards will have money left over to apply to purchasing private sector production. Taking this logic to a "reductio ad absurdum" if it gave away all its films and made a lot more to give away, the school boards and schools would not need an educational film budget.

Continued purchase of the private producers' output in educational films indicate that the market wishes to retain this option. The option, however, will vanish if driven out through competitive practices which force the private producers below a positive marginal return. The basic principle needed to retain the private sector as an option is to enable it to match its price to the NFB and earn higher revenues. This will create a competitive environment but requires subsidizing either the purchaser of the product or the Canadian producer for every instance where he sells a print at a price matching the NFB's price.

In any event, for Canada, it may be wise to consider the experience of other countries in the educational film production and particularly the experience of the U.S. with the National Defense Education Act, in order to correct some basic and harmful market misallocations.

Despite all the dissatisfaction in the private sector expressed in criticisms of the NFB, it is nevertheless recognized that the Board plays a valuable part in the development of the Canadian film industry as a whole. For example, a recently initiated program of regionalization, centred on films of regional or local interest made with very low budgets and intended primarily for local distribution only, is recognized as a valuable attempt to identify and develop potential talent in areas away from the main production centres in Toronto and Montreal. It remains, however, that the NFB, with annual output of some \$17 million, is a disruptive element in the Canadian market, and it is believed that

urgent attention should be given to amending the National Film Act in a way that would more precisely identify the role of the Board and limit its field of activity to areas of film-production other than those which the private sector is capable of handling.

The Canadian Film Development Corporation (CFDC)

Public concern about the slow and limited growth of the private sector of the Canadian film-production industry, attributed by many to the near-monopolistic attitudes of the National Film Board, was one of the factors leading to the appointment in 1965 of a committee of officials, headed by the then Chairman of the National Film Board, to advise the federal Government on the problems of the Canadian film industry as a whole. One of the recommendations of that committee led to the creation, in March 1967, of the Canadian Film Development Corporation, with the following statutory objects and powers:<sup>(16)</sup>

"The objects of the Corporation are to foster and promote the development of a feature film industry in Canada, and without limiting the generality of the foregoing, the Corporation may, in furtherance of its objects:

- (a) invest in individual Canadian feature film productions in return for a share in the proceeds from any such production;
- (b) make loans to producers of individual feature film productions and charge interest thereon;
- (c) make awards for outstanding accomplishments in the production of Canadian feature films;
- (d) make grants to film-makers and film technicians resident in Canada to assist them in improving their craft; and

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(16) Canadian Film Development Corporation Act, sub-section 10(1).



- (e) advise and assist the producers of Canadian feature films in the distribution of such films and in the administrative functions of feature film production."

The CFDC was given a one-shot appropriation of \$10 million to cover all its operations, including administration expenses, for a period of five years; the intention was that the CFDC would get further funds (as it actually did) if its operations appeared to be reasonably productive. The CFDC has participated, in one way or another, in the production of some 120 films. Of these, two-thirds over-ran their budgets, and only five produced any profit for the CFDC: even in some of the latter cases the Corporation has not yet been repaid for the advances it made.

In September 1974, the Bureau of Management Consulting undertook a study of the CFDC,<sup>(17)</sup> in which the very existence of the Corporation was questioned in the following terms:

"Such a study may conclude that the largest part of the funds now allocated to the CFDC might best be directed to other fields such as broadcasting where Canadians have effective creative and financial control. If this were the case, if the cultural objectives are paramount, and if the difficulties of establishing an integrated commercial film industry are regarded as politically insuperable.... then the only viable option is.... the undisguised conseil des arts role for the CFDC."

This view is widely held in the private sector. One individual said that any criticism of the CFDC would be unfair as it is in an untenable position, which he described as follows: "Being a Crown agency the CFDC is placed at the mercy of political pressures; if it invests the monies "according to its

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(17) 'An Evaluation of the Canadian Film Development Corporation', Department of Supply and Services, Bureau of Management Consulting, September 1974.

mandate it is bound to incur commercial losses and be criticized on that basis. If it applies stringent commercial and profit criteria it will reject most applicants and be criticized by the industry for its inaction and stinginess with public funds. The CFDC then under its present mandate cannot win any support."

Many producers are critical of the statutory restriction of the CFDC's operations to the production of feature films only. What, they ask, is the peculiar sanctity of feature films in comparison with products for television that reach a much larger audience? It is argued that, if it is the intention to build a secure foundation for a Canadian film-production industry, the resources of the CFDC could be more effectively utilized if they extended to participation in the production of documentaries, television series and specials, and 'shorts' for the theatrical market.

Other producers assert that contractual relationships with the CFDC are constraining and not well adapted to the market for feature films, which is on an international scale, and in which only the highest quality will draw the revenues from foreign sources on which Canadian producers must depend for a profitable return. Films with the highest probability of success by at least breaking even require an investment of from \$1 million to \$4 million. The CFDC, it is alleged, is not geared to this scale, and its support is directed mostly to low-budget feature films with heavy Canadian content.

Another common criticism is that CFDC requirements with regard to administrative and financial control are so excessive as to act as a major deterrent to film producers. One Canadian producer rejected proffered participation in a project by the CFDC because, as he put it, "they want a majority say for their minority commitment."



Despite all these criticisms, and the view, often expressed, that the CFDC has failed to raise the Canadian feature-film industry to international standards, because of its policies of supporting the production of mediocre films for a limited market, it cannot be denied that the activities of the Corporation have had a significant impact. In 1968, only 6 feature films were produced in Canada; the average production today is about 20 a year. The French-language sector has perhaps been the largest beneficiary, and continues to flourish despite the current business recession. The CFDC has so far invested \$13.5 mm in feature film production and, although some 57% of this amount is regarded as a total 'write-off', the support of the Corporation has resulted in new job opportunities for creative and performing talent, technicians, and others, and much additional work for Canadian laboratories and other suppliers of technical services required for film production. It may well be that the losses incurred by the CFDC will come to be regarded as an unavoidable adjunct to the processes of learning and growth, and that the momentum already created will, if maintained through the coming decade, go a long way to achieving the objectives for which the CFDC was established.

There are, nonetheless, valid reasons for the belief that the time has come to review the mandate of the CFDC, along with that of the NFB, with the object of eliminating any duplication of functions and clarifying the role of each. Consideration should certainly be given to extending the activities of the CFDC beyond the limitation to feature film production, a course that is believed to be favoured by the CRTC in the interest of increasing the sources of Canadian content in television programming. The CFDC could, by providing guarantees, do much to educate Canadian financial institutions in the mechanisms of the film industry and help to eliminate their previously mentioned reluctance to enter this field, which is probably attributable to lack of experience. Finally, the CFDC could take a more active part in providing assistance

to the film industry by making its knowledge of markets and contractual arrangements more widely available to Canadian producers. The developments proposed would do much to relieve the CFDC of its reputation as a money loser and to make it into an effective catalyst in the development and growth of all sectors of the Canadian film industry. It is essential that in reviewing the mandate of the CFDC and the NFB, these institutions be structured to become catalysts to the industry and consequently play a complimentary role to the private sector firms and institutions rather than a duplicate one.

## 5.2 Provincial Agencies

In the past decade, provincial governments, becoming increasingly conscious of the role of media in social affairs, have directed their attention or activity to film and video-tape production. This involvement has been brought about through the provinces responsibility for educational matters as well as through their general interest in matters pertaining to information and communications. Most of the activity has remained centered around providing educational material to the province's academic system.

The total budget of the provinces devoted to the production of film and videotape which we have placed at approximately \$30 mm is only an estimate. Problems of accounting terminology in the financial statements, as well as the lack of greater detail, prevent any further refinement at the present time. We must also remain aware of the possibility of duplicate counting, with some educational films for example being commissioned to private sector producers and already counted in that category.

The composition of this total underlines the presence of the two largest contributors, the Ontario Educational and Communications Authority, and l'Office du Film du Québec. In 1974-1975 their combined total budgets would exceed the total listed above. For



example, while the OECA has an operating budget of \$17.5 million, only about \$7 mm in total for the two funding Ministries finds its way into actual film or video production. The balance is spent on administration, equipment purchases and other activities. Furthermore, of the \$7 mm which is earmarked for production, much of it is handled by internal staff, and an undetermined portion is commissioned work. The same situation applies largely to the OFQ where the figures given from their own statistics appear higher than the OECA's. How much is the actual cost of production is also hard to determine, again because of reporting and accounting practices. In the case of the OFQ, the split between internal and commissioned work has not followed a policy and has been fluctuating.

Other provinces, noticeably Alberta, Manitoba and British Columbia, have been getting more and more involved in the area of film production either directly or indirectly and can be expected to increase their role and become a major factor in producing or commissioning film production.

This present analysis, being confined to items of relevance to the role of the Federal government, can therefore only accept the growth in the provinces activities in production as far as market development is concerned. In terms of implementation of certain recommendations, laws and policies, there are some obvious jurisdictional problems which need not be elaborated here. Just by way of example, a levy cum subsidy system which might be thought to be actually important for the development of the Canadian film industry cannot be developed and implemented without the implicit agreement of the provinces.

With the increasing role of the Provinces in film production, and their jurisdictional position it seems clear that many of the comprehensive policies affecting the film production industry which should be implemented require the cooperation of the provinces. In this respect it is important to develop an efficient communications

network between the 2 levels of government in order to mould the kind of changes which will gain positive contributions and cooperation from all the parties involved.



6. AN ANALYSIS OF PROBLEMS AND POSSIBLE SOLUTIONS

6.1 Communications Between the Public and Private Sectors of the Film-production Industry

A difficult problem encountered while doing the research for this report arose from the fact that the willingness of individual producers to cooperate was tempered by a degree of scepticism about the eventual value of the study. It was remarked that the need for a new film policy for Canada has been reiterated almost ad nauseam since 1968, accompanied by a disjointed series of inquiries that have not been the precursors of any tangible results. While many producers welcomed this new opportunity to express their opinions, grievances, and aspirations, their experience led them to believe that this study might only be the latest in a fairly regular series of opinion polls on what is regarded by the Department of the Secretary of State as a relatively minor element in the Canadian cultural scene as a whole.

In support of this view it was alleged that it was a waste of time to make representations to the Department, since no active response was ever forthcoming. It was suggested that this situation might have arisen because neither the Secretary of State nor the federal Government itself had any real power or desire to effect changes that might affect the interests of the federal film agencies. It has also been alleged that the Secretary of State was incapable of implementing and following-up on its studies because the constant staff turnover did not provide it with the necessary continuity.

A view that was commonly and forcibly expressed was that the Canadian film industry suffers from its supervision by a department that is primarily concerned with cultural affairs. As a result, it was said, the industry is treated as no more than an

artsy-crafty field which needs only a degree of benevolent paternalism for its survival and modest prosperity; it seems to be regarded as a mere adjunct to the much more important federal production agencies, the CBC and the NFB, which are of the opinion that the private sector is immature and incompetent not only in its business practices but also as regards creativity and the techniques of film production.

The opinions that segments of the industry have of one another are, of course, quite unsupported by any valid evidence. Private producers agree that a stop to unfair competition can be achieved; and that it would be to the benefit of the film-production industry if the NFB, under the supervision of the Secretary of State, were confined to the production of artistic and cultural films that would promote the image of Canada at home and abroad, leaving the private sector to compete in an open commercial market with the assistance of the federal Department of Industry, Trade and Commerce.

The private sector is handicapped by an almost total lack of information about the intentions of the federal Government and the plans of its film-producing agencies and client-departments. For instance, in the educational market, one producer said that he had indefinitely postponed the realization of a concept for an educational film for fear that the NFB might release a competitive product after he was well into the production process. In the case of the sponsored-film program, in which the NFB picks over the requirements to select the films it wants to make with its own resources, and offers the less attractive remnants to be bid for by the private sector, producers have no knowledge of the criteria used in judging the bids received and never get any feedback as to why their bids were rejected or accepted.

Some producers in the private sector, matching the barely



disguised contempt in which it is thought to be held by the public agencies, assert that the reason for the lack of communication is the general incompetence of employees in the public sector, who would be unable to survive in the private sector, which they treat with disdain, and that their casual and ineffectual methods lead to costly delays and poor relationships. Harsh as these comments may seem, it cannot be denied that producers in the private sector are very much the victims of uncertainty, frustration, and even fear in their dealings with the federal Government and its agencies.

Another glaring defect revealed in the course of this study is the lack of adequate statistical data, the criteria for which are relevance, accuracy, and timeliness. Such few data as are at present available on the Canadian film-production industry are neither wholly relevant nor timely, and their accuracy in some respects is open to questions. It is admitted by Statistics Canada that the questionnaire on which these data are based was poorly conceived, an opinion that is widely shared in the private sector. While it is recognized that the collection and processing of statistical information is a costly process, the data that would provide most of the information of use to the private sector, and incidentally to the Government and its agencies, are fairly limited in range. Out of the large number of production firms, relatively few are sufficiently active and stable to contribute to a reliable bank of information, and it is probable that a fairly limited effort to remedy present deficiencies would lead to a disproportionately beneficial result.

In fairness to the federal Government and its agencies, it has to be admitted that the poor relationships between the public and private sectors are at least in part attributable to the disarray of the private sector itself, in which a variety of factions and interest-groups have made little or no attempt to

organize themselves into a united front to represent them in their dealings with the public sector. As there seems to be no evidence of a change of disposition in this regard, the burden of moving to improve relationships and communications must be carried by the federal Government and its agencies.

A constructive step towards détente would be to publicize a provisional decision on some matter of obvious concern to the private sector, with an invitation to make comments and suggestions within a specified period of time, after which the decision would be implemented in either its original or a modified form. The next step, as recommended previously would be a commitment to advance publication of the film budget of the Government and its agencies, detailing the types of product required and the funds available for their production. A program for increased assistance in developing knowledge of administration, finance, distribution, and legal procedures would be welcomed by the private sector. Taken together as a combined package, including efforts to remedy statistical deficiencies, the Government could achieve a degree of credibility and could effect a very rapid and beneficial improvement in the relationships and communications between the public and private sectors.

## 6.2      The Structure and Constraints of the Market for Canadian Film Products

In the Canadian film industry, there is a clear separation between the production and distribution sectors. Distribution networks are largely under foreign control, and Canadian producers tend to be detached from the distribution system, with which they have no permanent relationship, and usually handle their marketing on a product-by-product basis without an adequate knowledge of the technicalities of distribution. Large distributors, who are primarily interested in the products of their own foreign



parents or affiliates, seldom participate in production in Canada.

This pattern differs from that in countries that are more advanced in film production, where the distributor often takes an active part as investor, adviser, and sometimes originator in the production sector. While it is not to be expected that relationships of this kind between Canadian producers and the large distribution systems under foreign control could be quickly developed, there are ways in which the film agencies of the federal Government could do much to improve the situation. Neither the NFB nor the CBC have done much to promote the output of the private sector, while the CFDC has avoided any involvement in distribution. Film is a universal product with a universal market, and must be promoted and distributed through as many channels as possible.

The Canadian market is so small that wider distribution is essential to the success of the film-production industry. The domestic market is about the same size as that of Sweden, where a highly developed industry has gained world-wide recognition. The Canadian market is, of course, divided between the French-language and English-language sectors, the latter being further divided into a cluster of ethnic sub-markets. The potential audience for French-language products is about 6 million, and Canadian English-language audiences, including other specific ethnic groups amount to about 16 million. The French-language market is relatively isolated and, although Quebec itself constitutes a captive market, there are few other outlets for Canadian French-language film products. France and other francophone countries throughout the world have been only remotely accessible to Canadian products, and have not produced significant revenues for the Canadian production industry. The English-language sector, although very small in absolute size, has a potential market in the United States and other anglophone countries in excess of 280 million people.

Marketing problems for the two sectors are thus of a

different order. Since the French-language market is relatively limited, producers can afford to concentrate more on products based on cultural identity. The English-language producer, on the other hand, must rely on a much greater degree of universal appeal if he is to tap the potential market successfully. This is not to say that Canadian production must be confined to meeting the needs of the popular market, or to conformity with the social and cultural values of the United States; the Swedish film-production industry, for example, has demonstrated the universal appeal of high quality and a distinctive national ambience. Canadian producers have equivalent capabilities, but the weakness of the distribution system in Canada has inhibited their access to the very much larger market that exists outside Canada.

The Canadian market falls into five main sectors by products: the theatrical market for feature films and 'shorts' (cartoons, newsreels, and documentaries), and the non-theatrical markets for television, sponsored and industrial films, educational materials, and products for governments. Products for the non-theatrical markets form the great bulk of the current output of the film-production industry.

The market for Canadian feature films, although still in its infancy, has grown rapidly since 1968: it forms part of an international market that is well established and controlled. But the growth in output has not been matched by the greater maturity and sophistication that would develop from improved relationships between the production and distribution sectors of the industry. The CFDC, although widely criticized, has helped to promote this growth in output, but instead of giving a lead has tended to follow in the wake of the producers in an evolutionary process governed by trial and error. There are, however, growing indications that some Canadian films have world-wide appeal, and that others will follow.

The problems of market development differ for the French-language and English-language producers of feature films. French-language products tend to be geared to the preservation of a cultural identity



peculiar to Quebec, which limits their international appeal, but the domestic market is likely to increase in response to improved quality; efforts should be concentrated there rather than on attempts to modify the character of the products. Expansion and development of the market for English-language feature films will depend in Canada on improvements in quality and elsewhere on better international market strategy.

The weakness of the Canadian distribution structure for feature films might be at least partially offset by the film agencies of the federal Government. First, some means should be found to enter actively into the promotion and distribution of Canadian products in both domestic and foreign markets. Second, the CFDC should be given the financial resources to implement its mandate to "advise and assist the producers of Canadian feature films in the distribution of such films and in the administrative functions of feature film production,"<sup>(18)</sup> In particular, it is suggested that it would be valuable to arrange for a series of seminars held with Canadian and foreign experts on distribution structures and methods.

In the non-theatrical market, the largest volume of production is for television, but the private sector has been unable to win more than a very small share. The volume of production for the CTV network and private television stations is not of great significance, but may be expected to grow in response to the higher Canadian-content requirements for programming, including commercials, laid down by the CRTC. However, only 6% of CBC expenditure on programming produced in Canada is commissioned to the private sector, and serious consideration should be given to means to increase this proportion.

The market for sponsored and industrial films is highly volatile and varies with fluctuations in the general business cycle. In times

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(18) Canadian Film Development Corporation Act, S.10(1)(e).

of recession, expenditure on audio-visual promotion is often first in line for severe cuts, while it tends to lag behind other economic factors on the upswing. The market is relatively quite small but is a source of profitable revenue to many small-scale Canadian producers.

The educational market is predominantly controlled by the provincial governments, some of which, notably Ontario, are increasingly engaging in the production of audio-visual materials that might otherwise be commissioned from the private sector, while the National Film Board is also a competitor and a price-setter. The market is further constricted by the deplorable predominance of foreign products, mostly from the United States, in use in Canadian schools and other educational institutions.

Lastly there is the market for government requirements. Little is known about the requirements of the provincial governments, but the federal Government is a consumer on a relatively large scale. The sponsored-film program is handled by the NFB, which commissions productions from the private sector only for those films that it is unable or disinclined to produce with its own resources. The Department of Supply and Services is the procurement agency for other audio-visual supplies, although some departments deal directly with the private sector while others have set up their own production facilities. These arrangements have developed in a way that is seriously inhibiting the development of the private sector of the Canadian film-production industry. The profile of the industry indicates that an increase in total output would give the private sector more leverage in obtaining government commissions, which would help to develop many marginal production firms into a position of profitable growth.

The small size of the total Canadian market has led many production firms to diversify their products in order to survive, or at least to compete with government agencies in the production and distribution of film strips, educational films, 'non-print' library materials, and so on. The result is that many producers have been forced out of business



or into other markets, while among those that remain there is widespread duplication of facilities and dilution of creative and technological talent. The federal and provincial governments and their respective agencies provide the largest part of the non-theatrical market but also compete directly with the private sector without being subject to cost-recovery and other normal market constraints, producing a situation that is not conducive to the healthy development and growth of the private sector.

Since the commercial market for non-theatrical products is very small and fluctuates with economic trends, the prospects for growth in the private sector depend largely on the controllable variable of government expenditures, a factor that opens the door for carefully elaborated and coördinated policies and actions. Agencies in the public sector should be regarded as complementary to the private sector of the film-production industry, and should act as catalysts in its development and growth. The time has gone for government to fill a void, as it had to in the early days if there was to be a film industry in Canada at all. A new objective for the NFB should be to promote the creativity and technical competence of the private sector, so as to eliminate duplication of resources and overlapping of functions. The CFDC might now become less concerned with direct financing of production and pay more attention to inducing banks and other financial institutions to enter the field and broaden their experience. While it may still be necessary, as suggested earlier, to fill a near-void in the Canadian distribution structure, the aim should be to develop a system that could stand on its own.

The federal Government should also take active steps to increase the proportion of its requirements, including those of the CBC, to be produced by the private sector; even a relatively small increase would help to consolidate the economic base of the private sector as a whole, and would enable many producers to surpass the critical level of output above where there is better assurance of profitability. There would not necessarily be any additional expenditure, since it could be

done through a transfer of production from the public into the private sector. The benefits to the economy at large, as well as to private producers, would be substantial. Further, as has already been suggested, action should be taken to assist producers to improve their knowledge of the techniques of distribution, administration, and legal procedures.

It is important that increases in government procurement from the private sector should be related to a stable budgetary base announced in advance, which would indicate the numbers of projects and the amounts to be spent on different types of product, so that producers could gauge the possibilities of obtaining orders for the type of product in which they specialize, and make their plans accordingly. In developing procedures for expanding its catalytic role, the Government should consult with representatives of the production and distribution industries in order to secure the level of coöperation from the private sector that is essential to success. Producers in the private sector, for their part, must learn to recognize that expansion into international markets will result from high quality that reflects the Canadian identity while avoiding the excesses of narrow nationalism.

### 6.3 Competition and Government Intervention

It has been shown that competition in the market for Canadian film products is distorted by the pricing policies of government agencies. Within the private sector of the film-production industry there is very active competition for all forms of business, some of which derives from outside Canada and thus forms part of the much wider international market. Firms of similar size, but with disparate creative resources and facilities, compete with each other and obtain orders by offering high quality products, price often being only a secondary factor. This form of competition has, on the whole, been beneficial to the film-production industry, giving opportunity for the development of creativity while maintaining satisfactory price levels.



The situation is very different in the potentially much larger sector of the market represented by government demand, which is supplied to a very large extent from in-house facilities, leaving only marginal amounts to be scrambled for by the private sector. The CBC, it is true, has shown some sensitivity to the problems of private producers, but only some 6% of its Canadian programming is commissioned from the private sector. In recent years, the NFB has increased the share of the sponsored-film program that is commissioned from private producers, but the volume of business still amounts to only some \$2 million a year. Meanwhile, the NFB has moved aggressively into the production of items in commercial demand, particularly educational films and film strips. Some departments of the federal Government have set up their own facilities for the production of audio-visual material, and in at least one case<sup>(19)</sup> these facilities are supposedly being marketed to other departments and agencies.

The agencies of provincial governments are also increasingly engaged in the production of educational audio-visual material, thus further restricting the dimensions of the market open to the private sector, while a deplorably high proportion of educational material is of foreign origin, mostly from the United States.

The most serious feature of this intervention by government agencies, however, is the distortion of the price structure in the market resulting from the pricing policies of the NFB. The Board is under no obligation to make a profit from its commercial products or even to recover costs, and offers its products at prices so low as to be insufficient to enable a private producer to cover his production costs, let alone make a profit. Since the NFB is not constrained by any rational relationship between cost and price, greater attention can be given and more time spent on quality, but it is believed that similar

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(19) See the report in this series entitled 'Markets for Film Products'.

products of equal quality could be produced in the private sector more quickly and at less cost. The pricing policies of the NFB undoubtedly represent unfair competition that is detrimental to the profitability and healthy development of the private sector.

In the private sector, it is common to ascribe the present unsatisfactory situation to 'government policy', but in fact there is little or no evidence that the responsible Ministers or the officials of their departments have had any hand in the formulation of policies that are crippling the private sector of the film-production industry. Both the CBC and, to a lesser extent, the NFB enjoy very wide latitude in the formulation of policy and in the scope of their operations. The Broadcasting Act does not give the Government any authority, at least in this regard, to give directions to the CBC. Nevertheless, the capital and operating budgets of the CBC have to be supported by the Minister and approved by the Treasury Board; it would thus be possible as a matter of public policy, although such pressure would no doubt be strongly resisted by the CBC, to use the budget-approval process as a means to increase the amount of programming the Corporation commissions from the private sector. It may be noted, in this context, that the television networks in the United States rely to a very large extent on the output of programming by independent producers.

As regards the NFB, the case is altered and the scope for action is much wider, for there is a statutory provision that "the Minister shall control and direct the operations of the National Film Board."<sup>(20)</sup> There is therefore no obstacle to the formulation and implementation of a policy that would distinguish clearly between the responsibility of the NFB for the production and distribution

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(20) National Film Act, S.3.



of "films designed to interpret Canada to Canadians and other nations" (21) on the one hand, and on the other the operations of the NFB that compete with the private sector in the commercial market. In this latter capacity, the NFB should be required to conform to commercial standards of cost accounting as a basis for its pricing policy, which could include a reasonable profit margin, so that its products would not compete unfairly with those of the private sector. The degree of compliance with the policy imposed by the Government would thus be susceptible to evaluation by the positive evidence of the Board's statements of profit and loss on its commercial operations.

An alternative or additional policy that merits consideration would require the NFB to withdraw gradually from commercial production altogether, and to confine its operations to the production of films promoting and publicizing Canada and its indigenous social and cultural values. Action on these lines would be a powerful stimulus to the beneficial development and growth of the private sector of the Canadian film-production industry, of which it stands in dire need. The logic behind these steps is that the private sector is a valid producer and a viable option which must not only be retained but must be allowed to progress as freely as possible.

#### 6.4 Investment and Risk Factors

In the film-production industry, as in any other, there is a positive relationship between perceived risks, anticipated returns, and levels of investment. Investment is more attractive in proportion to the size and stability of the market for the products of the industry concerned. It has been shown that the market for Canadian film products is small and unstable, features that are reflected in the structure of

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(21) *ibid.*, sub-section 9(a).

the production sector, which is widely diversified and comprises a large proportion of small units, each operating at a marginally profitable level of output and retaining as high a degree of flexibility as possible. Mobility within the industry has been and remains at a high level, first because inability to make profits has driven the less successful producers out of business and, second, because Canadian creative and technological talent has been drawn away from Canada by the wider and more attractive opportunities afforded by the international market.

The federal Government, recognizing the need to encourage investment in film production, has taken several steps to this end, such as the creation of the CFDC and the introduction of various tax incentives. The effectiveness of these measures has, however, been at least partially counterbalanced by the policies of the CBC and the NFB, which have acted to restrict the size, and consequently the stability, of the market open to the private sector to a level that is only marginally attractive for investment. If these restrictive policies were to be abandoned or alleviated, as suggested in the preceding section, the resultant natural growth of the market would lead to a greater degree of stability and potential profitability in the production sector, making it that much more attractive as a field of investment for banks and other financial institutions. In short, it is clear that efforts to foster investment in the production sector are largely negated unless they follow on deliberate action to expand the market for film products and open it to free competition among private producers relieved from the unfair competition of government agencies.

Two other points should be noted. First, it has been shown that the survival of the many small-scale film producers would be impossible without a high degree of flexibility and elasticity, which in turn depends on the existence of an infrastructure of firms specializing in the provision of a variety of technical services and



facilities; it is conceivable, therefore, that an expansion of the market, with a resultant increase of output, created a level of demand which would lead the infrastructure into increased investment. Second, the benefits of a larger market might be diminished unless steps are taken, as suggested in 6.2 above, to strengthen the Canadian distribution system.

Assuming a larger market, increased output, and an improved distribution system, there are other measures that would diminish the risk factors that act as a deterrent to investment. Consideration should be given, for example, to the relative merits of levies, subsidies, or quotas as a financial way of directing the flow of funds to producers at an earlier stage in the production process, so as to improve their chances of surpassing the critical level of output beyond which profitability and stability are more likely to be attained. Care should be taken, however, to recognize that Canadian producers are quite capable of making film products that have universal appeal and do not stand in need of a protectionist policy. In this respect it should be noted that a set of subsidies and levies constitutes an effective incentive whereas the quota system would be viewed by foreign film makers as a threat and could result in some counter-measures detrimental to the potential of Canadian films on international markets. The mathematics are simple, since the Canadian film maker cannot rely on his domestic market to break even, he must sell in the U.S. and elsewhere where much larger markets exist. An increase in Canadian quota to 50% might in fact amount to less than an equivalent 5% increase in foreign markets, especially considering what negative effects quotas in Canada might have on Canadian products abroad.

The basic solution therefore appears to be a system of positive incentives such as levy-subsidy rather than penalizing measures such as quotas which furthermore may not correspond to consumer wants.

In studying such possible measures, attention should be given to the 'Eady Plan' in the United Kingdom, which is described Appendix VI.

and to the success in the United States of the provisions of the National Defence Educational Act in fostering the production of educational films. In another area, attention has already been drawn, in 4.4. above, to the defective methods of administering tax-incentive measures, and to the need for a diminution of the discretionary powers of Revenue Canada and a more precise articulation of the rules; these aspects are examined in greater detail in Appendix V.

In summary, it is recommended that, in order to reduce risk factors and encourage investment in the Canadian film-production industry, the federal Government should take steps to:

- 1) increase demand through market expansion by;
  - (a) undertake or promote measures to strengthen the distribution system for Canadian film products on a national and universal basis;
  - (b) increasing the share of CBC programming allocated to the private sector;
  - (c) restructuring the sponsored film programme for open and equal competition;
- 2)
  - (a) examining the relative merits of subsidies, levies, or quotas, with a view to reducing the level of risk in film production, taking into account the investment needs of the infrastructure that provides technical services and facilities;
  - (b) requiring the NFB and other agencies to adopt commercial costing and pricing policies for its products that compete with those of the private sector, and consider the elimination of NFB activities in commercial production; and
  - (c) reduce the discretionary powers of Revenue Canada in the administration of tax-incentives and formulate more precise rules for their applicability to investment in film production.



VOLUME III DISTRIBUTION AND EXHIBITION

EXECUTIVE SUMMARY

This report presents a profile of the structure and operations of film distributors and exhibitors operating in Canada. The focus is on entertainment films, or films which are rented, and not sold, in three distinctive markets. Not included in the profile are films sold or lent free of charge to schools, universities, businesses and government. Within each of the markets listed below, film rentals are the key measure of economic success.

- (a) Theatrical Market: This market is comprised of theatres and drive-ins. In 1974, total receipts of \$172 million resulted in \$59 million in film rentals.
- (b) Broadcasting (TV): This market includes all television networks, groups of stations and independent television stations. No estimate is provided on advertising revenues generated; however, film rentals totalled \$21 million in 1974.
- (c) Non-Theatrical: All other film rentals are grouped in this third market, which consists of film societies, schools, universities, and other groups where admissions are charged. \$6 million was generated in this market during 1974.

The study offers profiles of the distribution and exhibition sectors. Through the analysis of each of these parts, a number of conclusions were reached and recommendations submitted for consideration regarding future government actions.

Many of the trends observed run counter to the conventional wisdom respecting the industry. First of all, there are indications from the distribution sector that Canadian government policies over the past decade have been moderately successful in developing a Canadian film industry. This industry has been carved out of the three markets, despite a rather slow growth pattern displayed by the industry as a whole. Growth-wise, theatre revenues have risen slightly over the decade, while television rentals have been a disappointingly slow growth area and have shown only a negligible increase over a ten-year period.

Most importantly, the tendency for major American companies to dominate this industry appears to have lessened somewhat. Where 67 per cent of all film rentals were remitted abroad in 1964, calculations showed that today this percentage has been reduced to 53 per cent, with less than 50 per cent passing into the hands of major American firms.

Although the industry employs certain practices and procedures peculiar to film distributors and exhibitors, overall the trends which prevail tend to be those dictated by economic conditions. The industry is not unlike other sectors in the Canadian economy. The dominant theatre circuits have tended to grow larger and, using the leverage provided by appreciating land values, have diversified their operations into many of the more promising areas in the economy.

Independent theatre operators faced with high overheads, and a less certain supply of quality films, are often placed in a difficult, and precarious economic position. Theatres in rural areas are generally marginal operations, dependent upon low overhead and the economic leverage provided by major booking companies.

The interviews indicated unanimous disapproval for proposed quotas and levies. All distributors emphasized that a good product would be shown in the theatres. The analysis pointed to a need for carefully planned government incentives designed to deal with particular needs, and careful strategies by the Department of the Secretary of State that maintain a balance between private and public agencies.

Some particular needs outlined were:

- (a) A study and review of the full potential of the television market and its possible contribution to film industry growth.
- (b) The need for measures to assist in the development of Canadian distributors.
- (c) The need for measures to assist in the development of independent exhibitors (to stimulate all markets)
- (d) The need for improved data on industry performance, in particular, information from exhibitors on the key indicator - film rentals.



- (e) Improved capacity for analysis within the Department of the Secretary of State that will allow the interpretation of industry to government and of government to industry.
- (f) Projections or forecasts of future markets for both the Canadian and international economies.
- (g) Clarification of the role for the Canadian Broadcasting Corporation in film industry development.
- (h) Strengthening of the co-ordinating role performed by the C.F.D.C. in matching producers with distributors, placing emphasis on Canadian distributors.
- (i) Assisting the provinces in the analysis of measures viewed as appropriate for their jurisdiction; assessment of the public finance approach to quotas in Quebec; and a review of the effectiveness of quotas in other countries (such as Great Britain).

## 1. INTRODUCTION

This report represents a part of a study undertaken by the Bureau of Management Consulting for the Department of the Secretary of State.

This particular report has as its objective: "to obtain a profile of the structures and operations of the distributors and exhibitors, both public and private."

### 1.1 Profile of the Structure and Operation of Film Distributors and Exhibitors

In this part of the study the distribution and exhibition of entertainment films in Canada is presented in descriptive and statistical terms. Entertainment films are commercial films for which admissions are charged either directly, at the box office, or indirectly, in the case of TV and cable programs through the purchase of advertised products. Such films include feature films, that is, full length motion pictures having a running time of between sixty and one hundred and twenty minutes and short subjects which have a running time of less than sixty minutes. Usually these films are viewed by a public which has an opportunity to make a conscious decision whether or not to view a particular motion picture or whether a motion picture is to be viewed at all. Entertainment films are therefore part of a competitive enterprise and highly vulnerable to changing consumer tastes and preferences. Within this environment commercial films are in competition among themselves and with all other forms of entertainment. The public selects its preference by selecting from these various recreation options.



Generally commercial film ventures are undertaken through private initiative, which is guided by a profit motive. These endeavors are intended to bring a maximum return on investment dollars. In film, other motives are in evidence from time to time, such as increasing the prestige of producers or perhaps communicating some form of social message. To survive economically, however, movie-making of this form is undertaken with a profit motive, and this motive must predominate over other factors, unless governments are prepared to contribute heavy subsidies.

Governments have in recent years joined with private enterprises in producing films and in so doing have contributed both to their financing and promotion. These ventures have been generally oriented toward diminishing the dominant position and cultural impact of American productions. Such policies although applied vigorously in some countries only experience mixed success; in fact no totally effective policy is in evidence. "Other countries -- Britain, France, Italy, Austria and others -- have made similar investments in pursuit of the principle that the State should preserve and encourage its culture. These investments have been made, and continue to be made, at exorbitant cost. The returns, whether commercial or cultural, have been questionable, perhaps because both kinds of returns are expected".<sup>(1)</sup>

France has a special tax (or levy) on box office receipts which is used to support production, to provide technical assistance, and to aid in the construction of theatres. Another example is the Eady plan, where a tax or levy is imposed at the box office in British theatres (certain theatres are exempt). This plan is intended to

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(1) Bureau of Management Consulting, Report on the Canadian Film Development Corporation, September 1974, p.46).

assist in the production of motion pictures in Great Britain. Germany has a "Film Aid Fund," and in other countries special taxes or levies have been applied, and quotas have been attempted as a means of creating a demand and encouraging the distribution and exhibition of indigenous film products.

In Canada, the Canada Film Development Corporation (CFDC) has since 1968 invested substantial amounts of money in Canadian film productions. In a recent move aimed at stimulating production, depreciation allowances (100 per cent in the year in which the investment is made) have been offered to investors in feature film production. Also, in 1975 a voluntary quota system was agreed to by the two major exhibition circuits operating in the country which ensures the exhibition of Canadian feature productions each quarter. The strategy underlying such policies is that the creation of an increased demand will in turn stimulate further production.

The actions of governments and interest groups over the past decade have nurtured a continuing search for what has been referred to as a Canadian Film Policy. During this period the government has initiated studies and received from industry and interest groups submissions directed toward both selfish motives and a comprehensive policy. However well-intentioned, these reports have consistently displayed a bias toward government agencies within the industry. Government responses which have a direct bearing on distribution and exhibition are briefly reviewed in Section 2 of this report.



## 1.2 Methodology

From the outset of the study it was apparent that some of the problems pertaining to distribution and exhibition of film in Canada were of a difficult and complex nature. Many of these issues long standing. Questions such as foreign ownership and control, the oligopolistic structure of both the distribution and exhibition sections, and other issues have never been rationalized. A wide variety of suggestions exists as to what would be the most appropriate form of government action. To adjust for these difficulties it was decided that a somewhat eclectic approach should be adopted for the study, using open-ended interviews. The investigation was conducted through:

- (a) a review of pertinent studies, and government briefs,
- (b) selected interviews aimed at covering the key individuals and sections in the industry including:
  - film distribution
  - film exhibition
  - public agencies and departments
    - . CBC
    - . NFB
    - . Statistics Canada
    - . Secretary of State
- (c) the analysis of information gathered from (a) and (b) above.

Because of time constraints imposed on the study it was not possible to consult with provincial departments and agencies concerned with non-feature film distribution. This did not preclude a reference to provincial involvement in feature films; however, it meant that the distribution of education films and other non-features were of necessity excluded from examination within the study. In view

of a concurrent interest in non-features by Mr. Sidney Newman, Special Advisor to the Minister on Film Policy, and a recently completed study by the National Film Board covering educational films, the necessity of the study covering these areas is questionable at this time. When it is recognized, as well, that the distribution products and processes for non-theatrical film products differ markedly from those employed in the theatrical markets, the logic of this decision becomes even clearer. Simply stated, the processes differ to the point where they must be accorded separate treatments.

The scope of this study is therefore restricted to the presentation of a profile of the exhibition and distribution of what will be referred to in this study as entertainment film in Canada. These film products are provided usually on a "rental" basis to a number of markets. Some overlap may exist between the rental market and other film distribution markets. It is possible, for example, that a school may either borrow a National Film Board short film from a Film Board Library, purchase the film at a discount from the Board, or rent the film from Columbia Pictures of Canada. This situation is, however, an exception and not the rule.



2. REVIEW OF PERTINENT LITERATURE

Over the past decade the Government of Canada, and to a lesser extent, some of the provinces have independently proposed measures for the development of a feature film industry in Canada. The federal government, with its taxing and spending powers, has been the leader. The government has given support to producers directly through loans and grants, and indirectly through incentive tax measures. Provincial support has shown some variance among provinces, with Alberta seeking to attract producers to that province, while Quebec has demonstrated a commitment to building an industry in that province. A new bill in Quebec "introduces a general law on the cinema," defining the overall policy to be allowed in this field by the Minister of Cultural Affairs.

Some policy considerations including quota systems and box-office levies have jurisdictional overtone owing to the involvement of two levels of government in developing the industry. Such matters must be accounted for along with particular provincial aspirations in the quest towards a comprehensive and viable film policy.

This review of literature concentrates on film distribution and exhibition. It deals briefly with a number of studies, policy statements, and legislative actions which have surfaced over the past decade. In reporting these events, the intent is not to assess their significance but simply to provide an insight into the range of activities either considered or undertaken to assist the development of Canadian film industry.

2.1 Major Initiatives Pertaining to  
Distribution and Exhibition in Canada

Much of the activity respecting film policy concerns how to develop a feature film industry in Canada. This long standing intention was first stated by the Secretary of State on August 4, 1964, and repeated subsequently in the April 6, 1965 Speech from the Throne. Considerable time, effort and money has been expended since then.

The initial support for this development was a confidential and land-mark study which was undertaken for the then Minister by Dr. O.J. Firestone, a Professor of Economics at the University of Ottawa, in January, 1965. This study focussed on "distribution problems, both at home and abroad." Firestone was also charged with the task of suggesting, "where possible, ways and means of overcoming the difficulty confronting the Canadian film industry in obtaining advantageous distribution of feature film."<sup>(2)</sup>

In its preparation the Firestone study received excellent support from industry and government officials alike. As a measure of the high trend of cooperation existing between government and industry at that time, Dr. Firestone reported that industry welcomed the initiative shown by the Canadian government in considering ways and means of how the industry might develop. The study involved both

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(2) Firestone, Dr. O.J., Film Distribution Practices,  
Problems, and Prospects (1965)



the completion of a questionnaire by film distributors operating in Canada and interviews with both distributors and exhibitors. Meetings were also conducted with a number of associations in Montreal and Toronto. Over 50 interviews were completed in Canada, and additional meetings were held with the major American film distributors located in New York.

The Firestone Report was presented in two parts. The first, submitted in May, 1965, described the practices, problems, and prospects of film distribution and exhibition in Canada. It also focussed on the ways prices are established and addressed other problems, such as foreign control and the distribution of French language films. Along with an assessment of economics of distribution, the study outlined the problems which might be encountered in such distribution and suggested ways in which government involvement was feasible. A second part of the report dealt with the attitude of American distributors towards Canadian-made films and examined the structure and operation of both the film exhibition and the distribution industries.

The conclusions presented by the Firestone Report centered on some very basic distribution and marketing guidelines, which were intended to help in the formulation of a comprehensive program of government support.

The report's recommendations covered these points:

- . Loans to producers and theatre owners.
- . The subsidizing of production, or, alternatively, a system of advances to producers.
- . Income tax remissions for distributors and exhibitors.

- . Accelerated capital cost allowances for producers and theatre owners.
- . Grants and awards for excellence and the promise of excellence.
- . Joint international film agreements.
- . The establishment of a Canadian film registry office.
- . Consideration of the need for public inquiries into such matters as "block-booking," "package-deals," etc.
- . Analysis of the value of and need for quota systems.
- . The establishment of a film development corporation and of a film industry advisory committee.

The Firestone proposal set the stage for a variety of legislative proposals, some of which have been formally adopted. In fact, over the past decade most of the recommendations were adopted in one form or another but not as a comprehensive package.

An initial action by the government was the establishment of a Crown corporation, the Canadian Film Development Corporation, on March 3, 1967. The corporation was established on similar lines to the Industrial Development Bank (IDB) and modelled on the National Film Finance Corporation in Great Britain. In addition to administering a \$10 million revolving fund, earmarked from the Consolidated Revenue Fund, the CFDC was given the power to provide grants and awards to film producers.

Among the powers given to the corporation in fostering and promoting the development of a feature film industry in Canada, the Corporation may also:



Advise and assist the producers of Canadian feature films in the distribution of such films and in the administrative functions of feature film production.

In August 1972, a "Film Distribution Report" prepared jointly by the National Film Board, the Canadian Broadcasting Corporation, and the Secretary of State was tabled for the Under-Secretary of State, Mr. Jules Léger. The objectives of the study prepared by this committee were listed as follows:

1. To ensure the broadest possible distribution in Canada and abroad of Canadian film production;
2. To ensure the greatest possible access of the Canadian public to all Canadian film production;
3. To promote Canadian film distribution companies and to ensure as far as possible the absence of competition in film distribution between federal agencies and the private sector.
4. To promote co-operation in production planning, film distribution, and promotion among the federal film agencies and departments themselves, and between the agencies and the private sector;
5. To enlarge the Canadian market for Canadian non-theatrical film production;
6. To encourage a broader network of lending libraries specializing in Canadian films;
7. To encourage Canadian producers and distributors in the production and distribution of non-theatrical films;
8. To examine means of assisting Canadian feature films in their distribution on Canadian and foreign markets;
9. To establish a basis on which the federal government may negotiate with the appropriate provincial authorities on questions concerning the film industry in general, and distribution and exhibition in particular;
10. To examine the film distribution practices of the National Film Board, the Canadian Broadcasting Corporation and other federal agencies and departments.

This wide-ranging study produced several recommendations regarding non-theatrical film production and distribution which generally called for federal fiscal measures in support of this industry. In addition, recommendations were put forth respecting the distribution of theatrical films, the role of the CBC and the National Film Board. Basically, those measures respecting distribution and exhibition reiterated the Firestone conclusions but tended to take a stronger stance against the private sector firms. There was a strong inference that these firms stood in the way of industry development. Little attention was given to the recessed economy in which the industry was operating.

In a memorandum accompanying the report it was recommended that the activities of the major distributors and exhibitors be subjected to an investigation.

Other recommendations proposed for theatrical distribution and exhibition were:

- . A voluntary quota system, involving Odeon and Famous Players only, to be imposed on a temporary basis.
- . Discussions with provincial and federal authorities to lay the groundwork for a more permanent quota system.
- . Possible box office levies established by provincial authorities to assist in financing production and distribution.
- . A review of current levels of duty and taxation on imported theatrical products.
- . An extension of the C.F.D.C. mandate to include distribution.
- . An increase of the withholding tax on film rentals and royalties from 10 to 15 per cent on film rentals and royalties passing into the United States.



- . Exploration by the Secretary of State of the possibility of developing a chain of theatres in strategic locations across Canada.

Recommendations applied to the CBC included:

- . Discussions proposed between the CBC, the private networks, CFDC, and private producers to establish a system whereby entertainment films, suitable for distribution both in theatres and television, can be co-produced or co-financed.
- . Discussions between CRTC and the Secretary of State to determine ways of increasing the use of Canadian films via the networks.
- . Improved relationships with the CBC and private film makers and producers.
- . Seminars to exchange ideas and study film and television problems.

A number of policy recommendations contained in the foregoing report were also adopted and implemented over time. A voluntary quota system was agreed to by Odeon and Famous Players; discussions were also held with some of the provinces; and the withholding tax on film rentals passing to the United States was raised from 10 to 15 per cent.

In addition, on August 5, 1975 the Secretary of State announced measures aimed to increase private sector support of the Canadian feature film industry:

- A new income tax regulation which would allow investors in a eligible film to deduct 100% of their investment in one year.
- Voluntary quotas agreed to by Famous Players Ltd. and Odeon Theatres (Canada) Ltd. of four weeks per theatre per year, and an investment programme of at least \$1.7 million to aid the exhibition and production of Canadian feature films.

Earlier, the Minister expressed the support of Secretary of State for co-production agreements, and in late 1975 co-production agreements were completed with the British government that will allow funds from the Eady Plan and C.F.D.C. to come together under joint productions.

## 2.2 Summary of Policies and Initiatives

In a mixed - capitalist economy there is no absolute assurance that government resources intended to bolster an industry will be successful. In fact, well-intentioned measures may often be ineffective. When measures are adopted and implemented without full appreciation for how an industry operates, this is more apt to happen. There is evidence to suggest that government measures affecting the film industry have taken this course.

In the following three Sections of this report government policies are reviewed indirectly, as they impact on the structure and operations of the distribution and exhibition sectors. A clearer picture should evolve of warrantable and necessary government action.



3. DESCRIPTIVE PROFILES:  
DISTRIBUTION AND EXHIBITION

This Section deals with the distribution processes and how they affect the production and exhibition segments of the film industry in Canada. Since a distributor acts as a liaison between the producer and the exhibitor, many of his functions blend intricately with those of the other two segments. Consequently, all three segments, i.e., production, distribution and exhibition, must be carefully examined in order to get a more precise picture of what the film distributor represents.

Although the distributor's principal role is to supply the exhibitor with a marketable product, his functions have been extended more and more in recent years toward participation in planning new productions. The distributor often has a say in the way a film should be produced, promoted, financed, distributed, etc., and in many instances he will make financial commitments and acquire distribution rights prior to the commencement of a film production.

3.1 Types of Distributors

As in most business operations, there are several different categories of film distributors in Canada:

- Major distributors, who operate on an international scale,
- Independent distributors, who may operate on either a national or regional basis.

Variations of the above would include distributors specializing in English, French, or foreign language film as well as distributors concentrated in single or multiple markets.

Such groups can on this basis be broken down according to the markets they service:

- theatrical (motion picture theatres and drive-ins)
- non-theatrical (film societies, schools, etc.)
- television (networks and stations)

Many of the distributors are integrated horizontally into production companies, and frequently in Quebec full integration occurs into theatres as well.

In the following pages all categories of distribution are covered with emphasis placed on independents and majors. Independents are the smaller firms whose financial status makes it difficult to compete with the major American-owned distribution companies. Frequently, independent distributors make deals with independent producers and, in certain cases, may act as sub-distributors in determined regions for a major producer and/or distributor.

### 3.2      The Distribution Process

The distribution process illustrated in this chapter follows the product flow from production to exhibition in all markets (theatrical, non-theatrical, and television). Discussion is presented in this order:



product and product source; producer-exhibition deals; distribution-exhibition deals; exhibition.

### Product and Product Source

The film product can be broken down into three basic categories (of which the first and third are considered here):

- Feature films available in 16mm, 35mm and 70mm gauge.
- Non-feature films available in 16mm gauge and, in rare instances, 35mm gauge.
- Short subject films available in 16mm and 35mm gauge.

### 3.3 Feature Films

Canadian distributors obtain their feature films from the following sources:

- Independent Canadian and foreign producers.
- Major production companies in the U.S., Europe or Japan.
- International distributors who hold franchises for worldwide distribution.
- National Canadian or foreign distributors (who supply the small independent, regional distributors).

In 1974, 3,500 features were produced world-wide; 242 were produced in the U.S., 33 in Canada.<sup>(3)</sup> The following table is a breakdown of the 1974 first run releases and their corresponding countries of origin.

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(3) Statistics Canada, Motion picture theatres and film distribution 1973, p. 17.

Countries of Origin of Feature Films

| COUNTRIES       | 1973               | 1974               |
|-----------------|--------------------|--------------------|
| U.S.            | 356                | 355                |
| France          | 137                | 152                |
| Great Britain   | 61                 | 67                 |
| Italy           | 83                 | 57                 |
| Canada          | 33                 | 32                 |
| Other Countries | 141                | 238                |
| TOTAL           | 811 <sup>(4)</sup> | 901 <sup>(5)</sup> |

The motion picture industry is currently experiencing a shortage of feature films due chiefly to new trends in television and theatre exhibition: precipitate sales to television, disappearance of theatres with great seating capacity, lengthy runs of successful films, and the scheduling problems these cause.

Of features originally intended for release and projection on movie theatre screens, a continuing trend involves the sale directly to television upon, or even prior to, production completion. Lack of sufficient funds to complete a production is the principal reason which precipitates an early purchase by television. By immediately selling the TV rights of a feature film, film makers are able to recoup more quickly production costs, or at least a portion thereof. (This trend occurs more frequently in the United States than in Canada).

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(4) Ibid.

(5) Statistics Canada (advance statistics, 1974).



The large, decorous movie theatres of old are slowly disappearing and giving way to modern, multiple screen theatres where the seating capacity (per screen) has been reduced to an average 300 persons. (The majestic Lowes' Theatre in Montreal (2056 seats) is presently in the midst of being converted into seven small theatres.

Due to this perceived shortage of features, films are held over and running much longer than they did in the past. It is not uncommon for a film that is doing well at the box office to play for several months at the same theatre. This is quite different from the days when a film change would occur every two or three days and "block-booking" was in style. Block-booking, wherein a package of films is sold to theatre owners, is seldom practiced today. Although new booking procedures initially appear to be an ideal situation, they can create momentous problems for the distributor in arranging theatrical booking: each Monday telephones are buzzing in the theatre industry and decisions are being made as to whether or not to hold over. The box office performance of the previous week is the key indicator.

When a first-run theatre has shown the same film for three months, a distributor who, by this time, has most certainly another film ready for release in that same prime-located movie theatre, must either wait until the exhibitor is ready to show it, or else make a deal with another theatre whose location might be less suitable than the first. This kind of delay may have drastic consequences, particularly when a promotion campaign has been scheduled in advance of the release. This problem is particularly difficult for the smaller distributors to cope with, when "all the eggs are placed in one basket."

### 3.4        Shorts

Distributors obtain shorts through producers, film sponsors (private and governmental), and various domestic and foreign institutions (e.g., embassies, museums, etc.). Although short subject films are still in great demand, primarily for television, their demand has lessened somewhat as an added attraction to the feature presentation in movie theatres.

From the producer's standpoint, shorts are too costly to produce, especially when competing with the National Film Board (NFB), whose quality shorts are available free of charge. Cartoons, the most popular shorts among people of all ages and nationalities, have become a rarity due to soaring production costs. Distributors both large and small are not interested in dealing with shorts because the revenue they generate is minimal.

Many first-run theatres have suppressed shorts altogether, showing only the feature film and a preview of the next attraction. When shorts are shown, exhibitors choose them on the basis of length rather than content. The subject of the short film is unimportant: the short is a filler, selected strictly on the basis of its running time. The intention is to maintain the optimal number of feature showings each day, and, of course, to hold overtime payments to employees to a minimum.

### 3.5        Film Promotion

In the film industry feature or entertainment film spells "risks". Regardless of the amount of money spent on promotion, distributors firmly believe that there is no absolute guarantee that a film will or will not be a box office hit until it has reached the market. The



public is the only judge, and the success of a film depends solely on its acceptance of the film. Production costs have little to do with this appeal. A low budget film can become a box office champion, while an American super production can turn into a lemon.

In spite of this established fact, distributors do spend large sums of money for the promotion of their films. All major distributors permanently employ at least one film promoter. Independent distributors must also employ promoters who have in fact a more significant role in putting together campaign packages. The independent often must put together the promotion package for television, newspapers and the theatre. On the other hand, the major companies often receive such materials prepared during filming by the production company.

An effective promotion "campaign" involving advertising and other publicity can be effective in attracting the public to the movie theatre, at least during the initial two weeks of a film's running. If, however, the film does not appeal to its audience, it may "flop" just as quickly due to word of mouth, poor reviews, etc. Should this occur, it is possible that even the most active subsequent advertising campaign will fail to attract an audience, and it may be wise to take the film out of circulation immediately. Any additional advertising expenditures would only add to the already excessive, irretrievable loss.

Major companies employ marketing experts, and when such failures occur, the movie may be recalled, a new campaign prepared and the movie released a second time. 20th Century Fox have recently tried this with "Lucky Lady" (although not too successfully). Such a failure points to the necessity of having a good product, and this apparently is still important.

### 3.6 Types of Promotion

All distributors interviewed stressed that promotion, if it is to be effective, must begin when a film is in the earliest stages of production. The public must regularly be kept informed of the development of the film through interviews with the producer, director, and actors; these interviews are broadcast over the radio, telecast on different TV stations, or written up in newspapers and magazines. The interest of the public must be aroused and this interest maintained until the film is finally ready to be released. "Jaws" is a classic example, the book catching the imagination of the public well before production of the film.

More important, trailers (selected scenes from a movie used for promotion purposes) are most readily and most economically prepared while the picture is in the production stage. Often this does not occur in Canadian movie productions; hence the cost of preparing trailers is considerably more expensive than need be. The tendency with Canadian productions, especially those operating in the absence of any distribution advice, is to leave any marketing considerations to the end.

### 3.7 Newspaper, Radio and TV Advertising

Shortly before a film is exhibited, its distributor will begin to advertise his new product in newspapers. Due to the wide circulation of a variety of daily newspapers, this form of advertising is considered to be the most effective, although having lost some ground to television in recent times. Radio advertising, according to distributors, is used less because it fails to reach the masses.



Television commercials are costly, and the results obtained are unpredictable and often unsatisfactory. Saturation TV advertising, in which a film is repeatedly publicized on several networks, can advantageously launch a film of uncertain potential.

In Canada, most newly released pictures are supported by advertising campaigns contributed to by both distributors and exhibitors. Before releasing a new picture, an exhibitor may decide to put on a special promotional campaign requiring funds which exceed the normal weekly advertising budget. When that happens, the distributor will, in most instances, cover 50 per cent of the additional costs. Conversely, the distributor may have special arrangements through which he can recoup all or a portion of the advertising expenses from the producer's share, on the basis of a pre-arranged formula.

### 3.8 Promotional Techniques

The same promotional techniques are not utilized for all films. The amount of money spent on the promotional campaign of a new release depends to a large extent on the perceived potential of the film itself. Since the expectations of distributor and exhibitor are often not identified, advertising chores may differ. Various promotional approaches are utilized, particularly the "standard release" method and the "showcase" method.

### 3.9 Standard Release Method

There are two distinct categories of top budget films: those of limited and those of unlimited potential. A film which fits into the latter category can be labelled as a "sure hit" even prior to its release: its quality has been determined; there has been

sufficient "talk" on television and in newspapers to arouse the curiosity of the public so that once the picture is released, little extra publicity, if any, is required. An American film which fits into this superior category (e.g., "The Godfather") is initially released in only one prime-located first-run theatre in each of the key movie centres of the U.S., including New York, Los Angeles and Chicago. ~~...~~ magazine, a weekly publication out of New York, reports on the success of these films in the aforementioned cities. (Film rentals are the main criterion for the success of a film, but audience reactions are also reported.) In Canada, a new English-language product is tried out in Toronto, while French-language products are first shown in Montreal.

If the film has generated a favorable impact, subsequent publicity through low-key campaigns and word-of-mouth is sufficient to entice the public to view the film upon its release in first-run theatres throughout Canada and the United States.

### 3.10 Showcase Method

The showcase method involves exhibiting a film in a large number of first and sub-run theatres in several cities simultaneously. It is a costly promotional technique generally utilized to promote a high budget film whose potential is considered to be "dubious" by film specialists. A film in this category can usually boast a splendid cast of well-known actors whose names alone will attract large audiences (for a limited time) before word-of-mouth publicity can have an unfavourable effect and destroy its credentials. The showcase method is a saturation-bombing, hard-sell technique; its success depends greatly on its being the consumer's only source of information about the film.



After this two weeks running period, the film will hopefully have managed to recoup its investment, something it might have failed to do had it taken the "standard release" route. The distribution cost of advertising is much higher for this arrangement.

Although the showcase method can be an effective promotional technique, it is extremely costly. Its users are, for the most part, limited either to the productions which would not survive without it, or to four-wall productions in which distributors attempt to break into theatre circuits.

### 3.11 Release Date

The release date of a product is believed to be very important in the industry and requires careful long-range planning. Children's films, for example, are usually released during school breaks. Many first-run movie theatres are booked months ahead of time for showings of Disney films during the Christmas holidays. This monopoly Disney products enjoy can be a major handicap for Canadian producers and distributors of "family entertainment" films. One distributor reported that a recent Canadian production, "Mystery of the Million Dollar Hockey Puck," was literally blocked by Disney during this festive holiday season and, consequently, suffered substantial losses.

### 3.12 Production/Distribution Deals

Firestone, identifies five major types of producer/distributor agreements, all of which are still in existence:

1. Those based on percentage participation between producer and distributor, with direct distribution cost shared in the following ways:
  - "Out of producer's share", in which the distributor buys distribution rights and receives a percentage of the producer's share of film rentals.
  - "Off the top," in which direct distribution costs are paid off first, the remaining revenue being divided by producer and distributor.
  - "First dollar participation," in which producer and distributor again divide the revenue, but the producer's share begins with the first dollar received.
2. Those which guarantee a minimum return to the producer.
3. Those which specify an advance to be paid to the producer by the distributor.
4. Those which involve outright purchase from the producer by the distributor.
5. Those in which the distributor acquires a direct interest in the film through equity participation and profit-sharing.

The interviews conducted revealed these trends in different sections of the industry:

- In production-distribution deals arranged with European production houses, outright purchase of exhibition rights is the most common practice. The large number of French films exhibited in Quebec are distributed on this basis.
- In deals reached between independent producers and independent distributors the arrangement more frequently applied is a cash advance and percentage sharing of rentals. This kind of arrangement occurs frequently with C.F.D.C. sponsored film.



- For the majors and Canadian distribution firms holding a distribution agreement, the sharing of rentals between distributor and producer is approximately 75-25, with the cost taken from the producer's share.

Example

|                                                                          |                                      |
|--------------------------------------------------------------------------|--------------------------------------|
| Box office receipts                                                      | \$200,000                            |
| Exhibitor - 50%                                                          | <u>-\$100,000</u>                    |
| Film rental                                                              | \$100,000                            |
| Distributor's costs<br>(printing, advertising, duty,<br>censorship etc.) | \$ 20,000 (10% guideline)            |
| Split between Distributor<br>and Producer                                | <u>\$-20,000</u><br><u>\$-60,000</u> |
| withholding tax (15%)                                                    | \$ 9,000                             |
| Net to Producer                                                          | \$ 51,000                            |

This example is not intended to represent all deals, but to simply give an indication of how the dollars might be shared. The strength and credibility of the distribution network would certainly be a dominant fact in reaching any production/distribution deal.

3.13 Distribution/Exhibition Deals

Distribution-exhibition arrangements are worked out between the distribution salesman and the theatre booker. Today most deals are completed over the telephone and recorded independently by the respective agents. Both theatre bookers and distributors maintain theatre books. Basically the kind of arrangement depends on the film and the distributor.

- (a) House Expenses - 50%  
Profits - 35-50%  
Split 60-40 between the exhibitor and distributor.

OR

- (b) House Expenses - 50%  
Profits - 25-35%  
The distributor in this case receives an equal percentage of the profit, with exhibitor receiving the balance

In general the distributor and his credibility are important in establishing a deal. This means that it is entirely possible to achieve a better deal through one distributor than another. The matter of selecting a distributor is therefore important.

The type of theatre, whether it be first-run, suburban, or rural will also affect the kind of deal. Many of the small town theatres operating on the Prairies operate on a basis whereby 25 per cent goes to the distributor and 75 remains with the exhibitor. Also large blocks of theatres, such as those "booked" by Prairie Allied Theatre Booking out of Calgary and Winnipeg, are able to hold down distribution rentals by maintaining a larger market bloc.

In the first-run theatres deals will be more favourable to the distributor but difficult for exhibitors to turn down, because of high volumes and the additional concessions which are generated. The exhibitors earn more in dollar terms because of the high box office appeal of film and greater overall box office take.



Firestone reported on five types of deals; essentially the same kinds of deals or derivatives thereof are operative today.

1. The 90-10 Deal. This arrangement normally occurs with a "blockbuster," a picture like "Jaws" or in that category. Publicity is split 90-10 between distributor and exhibitor, and after deducting the house-nut (house expenditures) all receipts are shared 90-10 between the distributor and the exhibitor.
2. The 70-30-10 Deal. The split here is 70 per cent for the distributor and 30 for the theatre owner. The exhibitor is guaranteed 10 per cent of the gross revenues as profit. (Not identified in interviews).
3. The 60-40 Deal. This arrangement provides the distributor with 60 per cent and the exhibitor with 40. (Not identified in interviews).
4. The 50 (or less) - 50 (or more) Deal. This form of arrangement is the common one in Canada and is referred to as the "sliding scale." Under this arrangement the percentages vary with the distributor accepting a lower ratio, 40, 35, 30 or even 25 per cent, the exhibitor receiving the balance.
5. The 60-40 deal on a Reducing Scale. Under this arrangement the distributor receives 60 per cent the first week and a reduced percentage for the following weeks.

Perhaps the major change over the last ten years is that the telephone is used to arrange deals. Seldom do written contracts or agreements exist, and the agreements are assessed on the sliding scale and the house expenses. The calculations most commonly applied are as follows:

Film Rentals: National Average

| Year | Distributor's Share of Receipts<br>(not including taxes) |
|------|----------------------------------------------------------|
| 1951 | 30.8 per cent                                            |
| 1960 | 34.2 per cent                                            |
| 1976 | 38 per cent (estimated) <sup>(6)</sup>                   |

The rise in the distributor's share is largely attributed to the types of film exhibited by the majors (high cost productions), and to the tendency toward percentage deals favouring the distributor.

3.14 Television Booking

Package-deals, or a form of selling referred to as "block booking," are commonly practiced in distribution to television networks, groups, and stations.

Because television networks are less inclined toward feature film exhibition, the packages are smaller than in earlier times, and they include other items such as:

- Serials, new and re-run (such as "Ironside" and other shows).
- Feature films produced for television (growing in importance).

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(6) George Destounis, President of Famous Players, estimated 42.8 per cent in film rentals, while Bob Meyers of Odeon indicated the average for his theatres to be closer to 50 per cent. Premier Operating reported 34.4. The 38% is therefore a lower-bound estimate.



Feature films, whether "blockbuster" or "run-of-the-mill."

Prices paid for television films vary from \$75 for one showing in a small station to \$80,000 for a network show.

For comparative purposes it is useful to look at the French-CBC network which has maintained its practice of showing French - language films.

| Year | <u>Film Rentals CBC (French)</u> |             | No. of Runs |
|------|----------------------------------|-------------|-------------|
|      | Film Rental                      | Time Period |             |
| 1965 | \$ 3500-500                      | 3 years     | 3           |
| 1976 | \$ 8000-12,000                   | 5 years     | 3           |

The five-year exhibition time period called for in CBC contracts presents an additional problem for French Canadian distributors. Often the film rights which have been purchased are held for a 6-year period only. In such cases the time available for theatrical exhibition is less than one year, which is inadequate, because theatrical exhibition remains the major source of rentals. On the other hand, if exhibited theatrically for two years, television exhibition may not be possible, owing to the above time limit. Clearly \$8,000 from the CBC is insufficient when the distributor has paid \$25-40 thousand for the film rights.

### 3.15 Distribution-Exhibition Process Summary

Many of the problems identified formerly with this process have fallen by the wayside, while in the meantime others have surfaced. Claims of unfair practices by major distributors against independent exhibitors are currently being reviewed in Nova Scotia. A tie-in between the same majors and the larger exhibition circuits exists and

is not denied. The larger circuits have the bargaining power hence are able to bring in the pictures. This problem has been at least partially overcome in instances where booking agencies arrange the deals for groups of theatres. The most effective agency of this type operating presently is Prairie Allied, operated out of Calgary and Winnipeg and booking for roughly 300 theatres.

Distributors, both independent and majors, denied that "block-booking" was any longer a factor in the theatrical market. However, in discussions with exhibitors it was noted that block-booking, happens occasionally. In such cases the theatre would receive a good picture along with a lesser production. In one example the second rate movie was "American Graffiti", which turned out to be a blockbuster.

Except in regard to television, block-booking appears to be less of a problem currently in the theatrical market. This is due primarily to the reduced level of production by the American companies. However, the outcome of the Rocca case in Nova Scotia may cast some further light on the final significance of the problem.



4.        STATISTICAL PROFILE AND ANALYSIS:  
COMMERCIAL FILM DISTRIBUTION AND EXHIBITION IN CANADA

The purpose of this Section is threefold: to provide a macro-profile of the distribution and exhibition of entertainment films in Canada; to analyse the significant economic trends which are occurring in the industry; to point out information gaps which currently exist with respect to the distribution sector. The approach adopted has been that of presenting statistical data in order to denote general economic trends in the industry as well as the specific economies of distributor and exhibitor firms.

The Section utilizes information provided by Statistics Canada, data assembled in a special survey undertaken by the Canadian Motion Pictures Distributors Association, and information obtained through interviews conducted with selected distributors and exhibitors. Data from Statistics Canada along with that obtained in earlier studies forms the basis of a macro-profile. Information gained from interviewing and the survey undertaken by the C.M.P.D.A. is also the cornerstone of the macro profiles presented in the next Section.

4.1        The Need for a Comprehensive Data Base

In order to provide a fair and complete examination of current and possible future policy measures respecting the Canadian film industry some knowledge must be gained respecting the size and structure of the industry, economic trends, and areas in which information is either non-existent or unreliable. The important part in having data is that it must also be analysed.

Data which represents the current economic significance of an industry is important, as it provides the basis from which future

growth in the industry can be measured and evaluated. Where government economic policies have been designed to foster the growth of that industry, such measures should allow a gauge as to the effectiveness of government policies. These are useful in determining the extent to which particular policies contribute to the strengthening of the industry and to the benefit of Canada as a whole.

Benefits may be purely economic in terms of increased employment opportunities or revenues. Benefits of a less obvious and tangible form in terms of Canadian creativity and expression may also exist but are less susceptible of analysis. As was indicated in the Introduction, in this report the focus is primarily upon economic measures. The data included in this section is primarily an interpretation of Statistics Canada material (Catalogue 63-707).

Analysis of distribution in this chapter pays particular attention to changes that have occurred in the film industry over the last decade (1964-1974). This decade has seen the introduction of a number of government policy measures intended to bolster and to develop the industry. By focusing on this period the intention is to ascertain, where possible, the relative success of such policies and determine the need for alternative measures. Wherever possible an effort has been made to point out information lags with respect to our statistical understanding of the Canadian film industry. This information is necessary to allow a complete examination of progress, problems, and to examine and assess past and present government economic policies. It should be pointed out that considerable assistance has been obtained from the industry in formulating estimates, which are based by and large on partial data.



One possible outcome of this study might be improvement in the annual estimates gathered by Statistics Canada. An informational gap already identified deals with the exhibition of feature movies on television and cable stations.

#### 4.2 Employees and Total Payroll

Using Statistics Canada's 1974 Advance Statistics it is possible to calculate that 11,021 persons were employees of the distribution and exhibition components of the Canadian film industry. Of this total, 726 or approximately 6.5 per cent were employed by distribution firms, with a further 10,295, or 93.5 per cent, employed in the theatrical exhibition sector. It should be noted that since these figures do not include employees of television networks and studios, nor part and full-time employees at schools, universities, government agencies, cooperatives, and businesses engaged in film distribution, this total is only a partial estimate and a fraction of total employment in this sector of the industry.

Table (IV-1) shows the reported employment and payroll allocations between regular and drive-in theatres covering the years 1963, 1973, and 1974. These totals indicate that an increase of roughly 5 per cent in employment occurred between 1973 and 1974, with the total payroll increasing by \$2.8 million, or approximately 9 per cent over this same time period.

Table IV-1  
Employment and Payroll  
Film Distribution and Exhibition in Canada  
1963, 1973, and 1974

|                                      | 1963 (1) |     |            |     | 1973 (2) |      |            |     | 1974 (3) |      |            |     |
|--------------------------------------|----------|-----|------------|-----|----------|------|------------|-----|----------|------|------------|-----|
|                                      | No.      | %   | \$ Million | %   | No.      | %    | \$ Million | %   | No.      | %    | \$ Million | %   |
| Film Exhibition<br>(theatrical only) | 9850     | 92  | 17.1       | 81  | 9945     | 93.2 | 31.08      | 83  | 10295    | 93.5 | 33.9       | 83  |
| Film Distribution                    | 840      | 8   | 4.2        | 19  | 732      | 6.8  | 6.5        | 17  | 726      | 6.5  | 7.0        | 17  |
| Total                                | 10,690   | 100 | 21.3       | 100 | 10677    | 100  | 37.58      | 100 | 11021    | 100  | 40.9       | 100 |

- (1) Firestone
- (2) Statistics Canada (Catalogue 63-207)
- (3) Statistics Canada, Advance Statistics (63-207)



Over the longer period 1963 to 1974, the number of employees in distribution and exhibition increased slightly, by 331 persons. The increase was in the exhibition sector, with the number employed in distribution actually decreasing by 114 employees. Clearly this increase is very low, especially when compared to other industries during this unprecedented period of sustained growth in the Canadian economy.

While the tendency for theatres to use part-time employees would partly explain the ability of theatres to bring in some economies of scale during a high inflationary period, this is only a minor factor. Based on employment growth over this period, it is a slow-growth industry. Other factors such as twinning and tripling have also helped theatre operation to keep employment at a minimum. In fact many theatres operating in western Canada function on family-run enterprises, generating little new employment.

#### 4.3      Real Growth in Salary and Wages

A further measure of the state of an industry is the growth in salaries and wages. Table IV-1 shows that wages have risen by almost 100 per cent over the eleven years between 1963 and 1974. This growth rate, also, is deceptive, because it is in actual terms and does not take into account inflation and the consequent reduction in spending power of dollars earned.

Given 1961 as the base year (100.0), Statistics Canada reports (Catalogue 62-002) that in 1974 a multiple of 166.8 would buy a comparable package of goods and services. This means that an item costing \$1.00 in 1961, would cost \$1.67 in 1974. Translating this into terms of film exhibition and distribution earnings: the earnings of 1961 -

\$21.3 million - would have to be \$35.57 million in 1974 to be equivalent in purchasing power. Since total earnings equalled only \$40.9 million in 1974, from the standpoint of spending power for these employees their earnings have increased only slightly over this period. These results are not indicative of a vigorous and growing industry.

#### 4.4 Box Office Receipts

Box office receipts or total sales represent a key measure in any industry. In 1974 total receipts from admission amounted to \$172.7 million (excluding taxes). (See Table IV-2.) This figure represents an increase of approximately 15.3 per cent above the total receipts of \$150.6 million recorded in 1973.

This increase is attributable to two main factors:

- Increased admission prices
- A slight increase in attendance at theatres and drive-ins

Because of their importance as indicators of the economic trends these two factors, admissions and receipts from admissions, are examined in more detail. In this examination discussion is confined to regular theatre statistics which cover the largest portion of attendance figures and admission receipts.

Table IV-3 gives a summary statement of Canadian motion picture theatre statistics over the years 1948-1974. Column two shows that the number of motion picture establishments, or theatres has decreased from a high of 1950 in the year 1955 to a total of 1116 in the year 1974.



TABLE IV-2

## Summary of Motion Picture Theatre Exhibition in Canada, 1974

Statistiques récapitulatives des projections cinématographiques au Canada, 1974

| Item - Article                                                                                   | Total,<br>all theatres<br>Total,<br>tous les<br>cinémas | Regular<br>theatres<br>Cinémas<br>ordinaires | Drive-in<br>theatres<br>Cinémas en<br>plein air |
|--------------------------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------|-------------------------------------------------|
| Theatres - Cinémas ..... No. - nomb.                                                             | 1,423                                                   | 1,116                                        | 307                                             |
| Receipts from admission (excluding Taxes) -<br>Recettes des entrées (sans le taxes) ..... \$'000 | 172,683                                                 | 149,720                                      | 22,963                                          |
| Amusement taxes - Taxes d'amusement ..... \$'000                                                 | 12,784                                                  | 11,184                                       | 1,600                                           |
| Number of paid admissions - Nombre d'entrées<br>payantes ..... '000                              | 90,392                                                  | 79,020                                       | 11,372                                          |

TABLE IV-3

Summary Statistics of Canadian Motion Picture Theatres, 1948-1974  
(Excluding Drive-ins)

| Year | Establish-<br>ments<br>(theatres<br>not<br>screens) | Receipts<br>from<br>admissions<br>(excluding<br>taxes) | Amusement<br>taxes | Paid<br>admissions |
|------|-----------------------------------------------------|--------------------------------------------------------|--------------------|--------------------|
|      |                                                     | \$                                                     | \$                 |                    |
| 1948 | 1,604                                               | 68,694,321                                             | 13,583,324         | 219,289,424        |
| 1949 | 1,731                                               | 77,419,472                                             | 12,563,737         | 299,312,348        |
| 1950 | 1,801                                               | 82,707,762                                             | 11,444,668         | 231,746,881        |
| 1951 | 1,808                                               | 90,986,110                                             | 11,373,629         | 239,132,227        |
| 1952 | 1,843                                               | 98,851,349                                             | 12,308,148         | 247,732,717        |
| 1953 | 1,906                                               | 100,889,361                                            | 12,760,235         | 241,182,726        |
| 1954 | 1,938                                               | 97,012,140                                             | 12,098,922         | 218,508,653        |
| 1955 | 1,950                                               | 86,373,652                                             | 10,264,183         | 184,968,467        |
| 1956 | 1,849                                               | 80,666,267                                             | 8,674,890          | 162,859,006        |
| 1957 | 1,716                                               | 76,486,177                                             | 7,815,204          | 146,755,828        |
| 1958 | 1,622                                               | 75,138,668                                             | 6,950,961          | 136,334,967        |
| 1959 | 1,515                                               | 68,370,049                                             | 5,959,857          | 118,633,400        |
| 1960 | 1,427                                               | 65,504,666                                             | 5,365,182          | 107,705,112        |
| 1961 | 1,341                                               | 62,228,910                                             | 5,043,553          | 97,944,809         |
| 1962 | 1,278                                               | 60,941,230                                             | 4,371,113          | 91,258,324         |
| 1963 | 1,245                                               | 63,816,752                                             | 4,370,712          | 87,966,686         |
| 1964 | 1,209                                               | 69,324,744                                             | 4,594,779          | 90,913,288         |
| 1965 | 1,171                                               | 75,371,826                                             | 5,082,144          | 89,134,806         |
| 1966 | 1,149                                               | 83,004,592                                             | 5,851,617          | 87,694,046         |
| 1967 | 1,156                                               | 90,804,452                                             | 6,428,709          | 85,530,648         |
| 1968 | 1,148                                               | 99,041,543                                             | 7,267,592          | 84,936,845         |
| 1969 | 1,157                                               | 102,362,509                                            | 7,485,275          | 78,917,657         |
| 1970 | 1,156                                               | 111,691,819                                            | 8,110,550          | 80,826,084         |
| 1971 | -                                                   | -                                                      | -                  | -                  |
| 1972 | 1,128                                               | 122,492,513                                            | 8,906,625          | 81,240,532         |
| 1973 | 1,135                                               | 129,876,000                                            | 9,665,000          | 77,438,000         |
| 1974 | 1,116                                               | 149,720,000                                            | 11,184,000         | 79,020,000         |

Source: Statistics Canada: Advance Statistics 1974  
Canadian Film Digest (1975 Edition)



Column two (Table IV-3) shows the receipts from admissions have fluctuated somewhat over the period 1948 - 1972. From this table 1953 is shown as the peak year with receipts then dropping off until 1962. This represents a decrease of roughly 40 per cent.

After 1962 receipts have risen gradually to the present total of \$149.7 million.

#### 4.5 Real Growth in Box Office Receipts

In absolute terms the dollar increases are significant. However, when viewed in terms of dollars discounted for inflation, the increases are only marginal. 1961 receipts of \$62.2 million would equal in their purchasing power  $166.8 \times 62.2$ , or \$110.4 million. The real increase in theatre receipts is therefore:

$$\begin{array}{rcl} 149.7 & - & 1974 \text{ receipts} \\ -110.4 & - & 1961 \text{ receipts} \\ \hline \$ 39.3 & & \text{million} \end{array}$$

Carrying this analysis one step further, in percentage terms this is an increase in box office receipts over the period 1961-1974 of roughly 35 per cent (in real dollars). The explanation behind this rather lack-lustre performance can be found in Table IV-3, in the Paid Admissions Column. From this table it is evident that paid admissions have declined from a high of 247 million in 1952 to the current figure of 79.92 million, with some minor fluctuations in between. This trend has not followed the enthusiastic projections given during the mid-50's. In fact, as is shown in this table, theatrical attendance, after showing a slight upturn in the early 1960's, has plummeted a further 10 million over the next decade. Much of the optimism toward building a Canadian film industry was predicated on increased admissions.

This has not happened. The two per cent increase registered between 1973 and 1974 was not sufficient to bring attendance back, to the 1972 level of 81 million.

Firestone in his report surmised that theatre prices were inelastic, which means that price increases were bound to have a detrimental effect on theatre admission. This theory has been borne out over the years, theatre prices rising but not so quickly as many other entertainment prices.

#### 4.6 Growth of Markets: Theatrical, Non-theatrical and Broadcasting (1964-1973)

Table IV-4 shows film rentals obtained from the three major entertainment film markets for the years 1964 and 1973. Rentals in the theatrical market increased by almost 100 per cent, its share of total film rentals rising from 60 to 75 per cent.

The largest increase was registered in the non-theatrical market, where the rentals in 1974 were six times those in 1964. Broadcasting (TV) showed the slowest growth pattern, increasing only slightly in volume from 18.2 million to 19.9, and slipping significantly as to overall share of the market.

#### 4.7 Remittances Abroad

An important trend is to be seen with respect to the remittances of film rentals abroad. In 1964 over 67 per cent of all film rentals were sent out of Canada, the largest portion of which accrued to the major American corporations.



Table IV-4

Film Rentals, and Remittances Abroad  
Theatrical, Television and Non-Theatrical  
Canada, 1964, 1973

|                | 1964                     |                      |      | 1973                     |                      |      |
|----------------|--------------------------|----------------------|------|--------------------------|----------------------|------|
|                | Film Rentals<br>millions | Remittance<br>Abroad | %    | Film Rentals<br>millions | Remittance<br>Abroad | %    |
| Theatrical     | 26.0                     | 17.8                 | 71.4 | 50.8                     |                      |      |
| Television     | 18.2                     | 11.9                 | 65.0 | 19.9                     | 40.5                 | 53.5 |
| Non-theatrical | .8                       | .5                   | 65.0 | 4.9                      |                      |      |
| TOTAL          | 45.0                     | 30.2                 | 67.1 | 75.7                     | 40.5                 | 53.5 |

Source:

1964: Firestone Report

Rentals 1973:

1973: Statistics Canada Catalogue

Remittances 1973: Statistics Canada #11-001E

A distinct shift is registered in 1974 which shows a much smaller percentage of film rental shifting out of Canada. (Film rental remittances are not reported annually by Statistics Canada. This means that any trend established is based on periodic reports. Before 1973, the last film rentals remittance report was for 1969. The statistics reported that year support the trend identified in this report.) This pattern does not conform to some views expressed on this matter. It is important to note that remittances to American companies would account for less than 50 per cent of total remittances.

#### 4.8 Summary Conclusion

Given the economic indicators reviewed in this sector - employment, salaries, admissions, box office receipts - theatrical exhibition and distribution cannot be considered growth industries. The trends have shown that this industry gives every indication of being stagnant or in a no-growth situation and has been in this predicament for over twenty years.

Most importantly the number of Canadian admissions to theatres has fallen considerably short of the projection given by Firestone in 1965, which by and large influenced the decision for government involvement. What this means, in effect, is that government incentive policies to bolster and assist in the development of a Canadian feature film industry have been attempted at a time of declining public interest as represented by the decrease in paid admissions.

Under conditions where real income has remained in an almost static position, and competition for entertainment dollars is becoming far more vigorous, certain patterns in the structure and operation of the industry became almost predictable.



- The largest, most diversified operations are the most likely to survive, and may in fact show some growth over the time frame under review. But even the larger operations may experience difficulty.
- Smaller, marginal operations are likely to experience great difficulty in conducting business under these conditions, having few resources in reserve. The tendency for such operations is either to sell their assets, where this is possible, or in complete non-viable situations, to declare bankruptcy.

Firestone's study<sup>(7)</sup> included information on the financial operations of motion picture theatres. In 1962, a year in which there appeared an upward swing in the business of 490 companies reporting, 222 were loss companies. These taxation statistics are no longer reported in such a specific form; nevertheless, it is very likely that far fewer companies are reporting today than in 1962. (Further analysis on exhibitors in Section 6 will bear this out.)

In summary, film rentals have not grown by leaps and bounds over the past decade. Instead their growth has been marginal, to say the least. Despite the economic trends in the industry which would indicate a recessed market, Canadian distributors and exhibitors have been gaining a larger proportion of film revenues.

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(7) Firestone Report, Part II, p.38.

5. MICRO-PROFILE: DISTRIBUTION

In the absence of a well-defined Canadian production sector, distribution companies have afforded the most distinctive profiles among the components of the Canadian film industry. Because these companies (along with the N.F.B.) have been for many years the mainstay of the industry, and because many function primarily as agents for foreign production companies, they have often come under criticism from other parts of the industry.

Distribution companies are both foreign and Canadian-owned. In the Canadian film industry, the foreign companies have tended to predominate. Such companies are often branch-plant owned and controlled by American interests or subsidiaries of larger conglomerate organizations. In many cases the subsidiary is not regarded as a profit center. However, both types of operations serve as distributors of products which have either been acquired or produced by the parent company. Similarly, the major or more stable Canadian independents function on a basis in which distribution agreements or franchise arrangements have been worked out with major production companies. These companies have the advantage of a guaranteed source of supply, which is not available to smaller independent distributors.

While the role of the distributor is often regarded as merely a link between the film producers and the exhibitor, in the film industry this is not a completely accurate assessment. The major distribution companies normally are integrated with production companies or at least have invested in enough production to ensure a continuous flow of



products. Distribution then involves a selling function which extends beyond the role of middle-men or wholesalers in other industries. Basically, however, in this industry the distribution is the marketing of films; this is all the distributor does, hence a vital concern with the maintenance of a show of good products. The exhibitor under this system is selling the distributor time and space in theatres. He is also involved in serving the public directly, but due to the leverage that comes from owning land, opportunities for diversification outside the film industry frequently occur.

#### 5.1 Distribution Firms in Canada

In 1974, according to Statistics Canada, 83 firms were engaged in film distribution in Canada. This figure represents an increase of about 44 per cent over the 1973 total of 68 firms. No explanation was provided by that agency of this dramatic increase.<sup>(8)</sup> One possible explanation, however, is that a number of production companies working on CFDC assisted films have chosen to establish distribution firms, that is, to integrate vertically, in order to capitalize on the total film rentals. Another possibility is that the market is on the upswing.

Approximately forty distribution firms, francophone and anglophone, were interviewed in this study; these fall here, as in the Canadian Film Digest, into two groups: the small number of major firms that supply a large proportion of film rentals, and the more numerous independents, who tend toward greater specialization.

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(8) Statistics Canada did indicate that although the Canadian Film Digest was counted on as a primary source for their mailing list of distributors, an effort was made in 1975 to identify additional firms for purposes of the annual questionnaire.

The 83 firms shared film rentals from all sources, totalling \$87.2 million in 1974. Theatrical rentals, that is the distributors' share of money obtained at theatre box offices, remained the largest single component within this total. Theatrical rentals amounted to \$59.9 million in 1974, with television rentals totalling \$20.9 million. These revenues were obtained from the network exhibition of feature films plus feature film exhibition on network and independent stations to local audiences. This figure represents a minor increase from the \$19.1 million revenue obtained from television network, regional and syndication sales reported in 1973. Non-theatrical rentals amounted to \$6.4 million over this same period. (See Table V-1).

For 1974, Statistics Canada reported that 1006 new films (including 901 feature films) were released for theatrical distribution in Canada. These films are here broken down by the following countries of origin.

|                          |                |
|--------------------------|----------------|
| United States of America | 355            |
| France                   | 152            |
| Great Britain            | 67             |
| Italy                    | 57             |
| Canada                   | 32             |
| Other Countries          | 238            |
| Total                    | <u>901</u> (9) |

The Statistics Canada report makes no reference to the total number of films distributed, including those released in previous years, nor is a figure provided that represents films exhibited on television. Since the total rental figure includes revenues from both new and redistributed films as well as revenues obtained through TV networks and syndication selling, the calculation of an average film rental has little or no meaning, and is, therefore, not calculated in this report. Although an attempt was made, it was not possible to obtain these figures from industry sources contacted. (Records are often not maintained in Canada).

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(9) Statistics Canada, advance statistics, 1976.



TABLE V-1  
FILM RENTAL RECEIPTS BY USE AND SIZE OF FILM, 1973, 1974

| Year | Size of Film | Theatrical<br>Use<br>\$'000 | Television<br>Use<br>\$'000 | Non-Theatrical<br>Use<br>\$'000 | Total, All Uses<br>\$'000 |
|------|--------------|-----------------------------|-----------------------------|---------------------------------|---------------------------|
| 1973 | TOTAL.....   | 50,813                      | 19,901                      | 4,944                           | 75,658                    |
|      | 16 mm.....   | 1,330                       | 19,901                      | 4,944                           | 26,175                    |
|      | 35 mm.(1)... | 49,483                      | --                          | --                              | 49,483                    |
| 1974 | TOTAL.....   | 59,860                      | 20,929                      | 6,415                           | 87,204                    |
|      | 16 mm.....   | 1,325                       | 20,929                      | 6,312                           | 28,566                    |
|      | 35 mm.....   | 58,535                      | --                          | 103                             | 58,638                    |

(1) includes 70 mm.

Source: Statistics Canada Advance Statistics: 1974

Former studies have stressed that Canadian film producers have some difficulty competing in the international trend, which apparently offers greater odds for commercial success to large scale and high budget films. According to C.M.P.D.A. officials a large percentage of film rentals obtained by the major Canadian and U.S. distributors was from the distribution of high cost features, many of which involved outlays of \$2 million or more.<sup>(10)</sup>

Many of the films distributed by the majors were produced or financed by the parent company, which explains the ability of major firms either to invest or obtain investment funds. With one exception, the major distribution firms are characterized by vertical integration, involving some association with a production company (via franchise or parent-company distribution agreement). This is in contrast to Canadian film production, which, for the most part, is low-budget.

## 5.2 Sharing of Distribution Market

One measure of the success of Canadian productions can be shown by the share of the market controlled by Canadian distributors. Because Canadian firms only are involved in the distribution of CFDC sponsored products, such distribution may be illustrative of the success of sponsorship.

The interviews conducted with Canadian independent distributors showed these firms have continued to rely to a far greater extent on foreign suppliers of theatrical film products. This would suggest little

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(10) 125 films distributed average cost \$2-\$3 million (CMPDA Survey 1976).



or no CFDC impact. However, a number of these firms have made definite attempts to increase the number of Canadian films distributed, particularly during the 1970's. The impact of the CFDC is therefore shown by an increase in the number of Canadian films distributed. The more prominent firms in this respect were: Astral, Ambassador, Cinépix, and Franch Film.

One important observation can be made on the CFDC list of distributors for CFDC - sponsored films: there appears a tendency for a production company to incorporate a distribution company for the sole purpose of obtaining both the producer's and the distributor's share of the film rental. This has produced only marginal results and despite these attempts the independent distribution sector remains weak as compared with the major companies. Although few in number, the majors continue to receive the lion's share of film rentals.

To give some indication of the strength and resources available to some of the member companies within this group, excerpts from the financial reports of a significant production-distribution company (MCA) have been provided in Appendix X. This information is useful as it shows not only the effect of successful production on revenues but also the scope of the market which CFDC sponsored productions are attempting to break. It is important to note that film rentals earned by MCA would more than double the entire Canadian market.

### 5.3 Analysis of Film Distribution in Canada

To analyse the operational economics of film distribution it was found necessary and desirable to group the 80-odd film distribution firms according to two main categories mentioned previously (the majors and independents) and outlined below.

The member companies of the Canadian Motion Pictures Distributors Association (C.M.P.D.A.).

The membership of this association includes seven foreign-owned and two Canadian-owned distribution companies:

#### Canadian Companies

- Astral-Bellvere-Pathe (Rank)
- Bellevue Film Distribution (Avco-Embassy)

#### Foreign Companies

- Columbia Pictures of Canada
- International Film Distributors Ltd.
- Paramount Pictures Corporation (Canada) Ltd.
- Twentieth Century-Fox Corporation
- United Artists Corporation (MGM Canada Ltd.)
- Universal Films (Canada)
- Warner Brothers Distributing (Canada) Ltd.

These firms apparently share roughly 90 per cent of all film rentals generated in Canada.

The balance of the distribution companies are for purposes of this report classified as independents and include firms operating in Quebec, Ontario, and other parts of the country. Although large



in number (approximately 70), this group does include several firms which conduct a significant volume of business (France Film, Cinépix, Ambassador), and some that are partially and wholly foreign-owned and controlled.

This arrangement of distribution firms has a number of advantages from the standpoint of analysis. First of all, the major firms monopolize and control a major percentage of all markets (theatrical, non-theatrical, and television), particularly in a dollar sense. By isolating the share of the market controlled by these companies, a large percentage of the business volume can be shown as allocated among a small number of firms, and processes become more understandable. Secondly, the majors without exception are engaged in the distribution of a range of products including documentaries, cartoons, etc. The thrust of the following analysis is a comparison of the major companies' share of each market, with the totals provided by Statistics Canada. In 1965 a similar analysis was completed by O.J. Firestone. A comparison of those findings with the current trends should be helpful in showing current distribution practices.

#### 5.4 Membership in the C.M.P.D.A.

A condition for membership by a company in the C.M.P.D.A. is the operation of exchange offices. All members of this association operate branch offices on a regional basis, normally with exchanges in each of the following centres:

|            |                             |
|------------|-----------------------------|
| Vancouver: | British Columbia Region     |
| Calgary:   | Prairie Region              |
| Winnipeg:  | Central and Lakehead Region |
| Toronto:   | Ontario Region              |
| Montreal:  | Quebec Region               |
| Halifax:   | Atlantic Region             |

Among the major firms there has occurred a pattern in recent years of sharing offices on a regional basis. This cooperation currently exists between Astral and Columbia. In this case, some of the employees are paid by both companies in accordance with a pre-determined formula, i.e., a sharing of employee salaries. Most of these arrangements result from the financial set backs experienced by American production firms.

In the case of 20th Century Fox, distribution is primarily conducted through Bellevue Film Distribution, through the Bellevue network of branch offices. However, a head office is maintained in Canada for 20th Century Fox, and this office is involved in film campaigns and promotions. Avco Embassy Pictures (Walt Disney) are also distributed in Canada exclusively by Bellevue Films. American International Pictures presently distribute their products via a distribution agreement with Ambassador Films of Canada.

#### 5.5      Employment in Distribution

Of the total persons employed by distributors in 1974 it is estimated that 250 or approximately 40 per cent were employees of the member companies of the CMPDA. The balance of 381 were persons employed in independent firms. The independent firms include the members of two Canadian associations, Independent Canadian Film Distribution (Toronto), and Coop ration des An astes Ind pendants (Montreal).

Table V-2 breaks down employment in distribution in 1974. This employment breakdown among the distribution firms shows the effect of branch offices being operated by the majors in the regions; many of the independents, on the other hand, conduct 2 or 3-man operations Canada-wide. Sometimes a cooperative arrangement occurs among independent



Table V-2

EMPLOYEES OF CMPDA MEMBER COMPANIES 1974

|                             | No of Employees | %    |
|-----------------------------|-----------------|------|
| All Distribution Companies  | 631             | 100  |
| C.M.P.D.A. Member Companies | 250             | 39.6 |
| Independents                | 381             | 60.4 |

Source: Estimated using results of C.M.P.D.A. survey.

companies whereby firms will cover for a company outside that region, which enables smaller companies to cover a larger market. For example, Danton Films in Toronto is associated with Steko in Montreal. Two of the larger independents have in fact established a regional network of offices for their operations; these firms were recently invited to join the C.M.P.D.A.

#### 5.6 New Films Distributed

In 1964 the majors distributed 599 films, compared with 414 provided to exhibitors by independent companies. In that year the majors earned \$21.3 million in theatrical film rentals, or approximately ten times the amount earned by about 53 independent companies. The major companies' share of the 1964 market was approximately 91 per cent. (11)

According to a survey conducted among CMPDA members, in 1974 the companies released and distributed 637 new feature films, including 550 35mm and 87 16mm. When these figures are compared to the totals given by Statistics Canada, it is apparent that these companies controlled 67.6 per cent of all new 35 mm feature movies distributed and 100 per cent of all 16 mm feature movies. Accordingly, these companies earned \$56 million in theatrical film rentals, or approximately 93 per cent of the total film rental earned in Canada in 1974.

The balance of approximately \$2.8 million remained to be shared among the 74 other distribution firms operating in Canada during 1974.

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(11) Firestone Report.



These companies distributed 264 feature films for theatrical distribution, none of which were 16 mm.

Table V-3 shows the industry trends and relative market shares maintained by the major companies and independents in 1964 and 1974. From this table it is apparent that something is wrong with either the figures presented by Statistics Canada or those obtained from the C.M.P.D.A. officials. Interviews conducted with a selected sample of independent distributors led to the conclusion that it was likely the former. (These interviews covered approximately 25 independent distribution firms and uncovered roughly \$10 million in feature film rentals.) A further set of interviews with several of the major exhibition companies, and analysis of film rentals paid by these companies, also suggested that some discrepancy existed with the total film rental figure presented by Statistics Canada for 1974. Further information is presented on this matter under the heading "Remittances Abroad."

Based on the interviews conducted, a more plausible set of estimates provided in Table V-7 allows a more reasonable approximation of how rental dollars are shared among the distributors. Table V-7 is presented at the end of this chapter.

## 5.7      Producer - Distribution Deals

The survey conducted by Firestone in 1964 revealed that of a total of 1004 films distributed in Canada roughly 50 per cent were acquired by distributors on a percentage basis (straight percentage division of rentals between producer-distributor). The balance was split evenly between outright purchase and arrangements which involved an advance guarantee to the producer.

Table V-3

## NUMBER OF FILMS AND FILM RENTALS' THEATRICAL DISTRIBUTION BY TYPE OF DISTRIBUTOR 1964, 1974

|                                                      | <u>1964</u>  |                                   | <u>1974</u>  |                                   |
|------------------------------------------------------|--------------|-----------------------------------|--------------|-----------------------------------|
|                                                      | No. of Films | Film Rentals<br>Amount \$ Million | No. of Films | Film Rentals<br>Amount \$ Million |
| Eight American Companies<br>and two Canadian (CMPDA) | 599          | 21.3                              | 637          | 56                                |
| * In 1964, 7 American<br>and 3 Canadian firms        | 414          | 2.2                               | 264          | 2.9                               |
| Independents                                         |              |                                   |              |                                   |
| TOTAL                                                | 1,013        | 23.5                              | 23,198       | 58.9                              |

Sources: 1. Firestone  
2. CMPDA  
3. Statistics Canada



The established pattern for producer-distributor deals appears to have continued up to the present time. American producers, most of whom are part of large, diversified conglomerates, will accept and reduce risks and shoot for arrangements favouring the distributor-producer whenever a film shows promise at the box office. Films acquired through the distribution arms of these firms, whether by subsidiary, or franchise operator, are done on a straight percentage basis.

Arrangements or deals with producers in other countries generally are less likely to be completed on this basis. According to distributors in Quebec, French film producers are more inclined towards a cash deal which gives the distributor rights to a film over a period of time (often six years). Deals which provide film rights over this time span may interfere with television exhibition deals where the C.B.C. asks for a five year contract. A further problem identified in Quebec concerned withholding taxes.

The increase effective January 1, 1976 (see Figure V-4), which raises the withholding tax from 10 per cent to 25 per cent is bound to produce some negative effects for French Canadian distributors. An actual example was revealed by a French Canadian distribution firm. Film distribution rights for Quebec and the Maritimes were obtained for an eight-year period. The contract allowed for distribution in both English and French within their regions. The cost of the distribution rights: \$35,000. This product was purchased sight-unseen (not an uncommon practice), and while waiting for its completion the producer sent a telegram to the distributor informing him that distribution of this film in the English language would not be allowed.

What had occurred in the meantime, was that a large American distributor had obtained the distribution. Withholding taxes were paid in advance, because the cash advanced is considered a film rental payment. The producer invariably accepts no responsibility for this tax. The calculation of a \$10,000 cash settlement would therefore result in the following

|                                                                         |                  |
|-------------------------------------------------------------------------|------------------|
| Price agreed to by the foreign<br>producer and the Canadian distributor | \$10,000         |
| Price paid by the distributor                                           | \$11,111         |
| Withholding tax<br>(paid by distributor)                                | <u>\$- 1,111</u> |
| Transfer payment to producer                                            | \$10,000         |
| Actual cost to the distributor                                          | <u>\$ 11,111</u> |

Smaller firms with limited financial resources find credit difficult, yet are forced to do most of their business through outright purchase. Some may be underwritten partially through guarantees or advances. The common jargon in the industry when referring to companies operating on this basis is "crap-shooter." Occasionally the "bankers" for these enterprises are larger exhibition circuits. If the longevity or average life expectancy of the smaller firm is a fair indicator, this title is accurate and appropriate. Several went out of business over the duration of this study.

A problem encountered by all independent distributors is the reluctance of foreign producers to sell exclusive Canadian distribution rights. In other words, the producer seeks a deal for exhibition on both the American and Canadian market, and the American distribution companies' coverage of both markets creates a distinct advantage in obtaining film rights. Depending upon the kind of arrangement between





Revenue Canada  
Taxation

Revenu Canada  
Impôt

Figure V-4

SCHEDULE OF NON-RESIDENT TAX RATES FOR TREATY COUNTRIES EFFECTIVE JANUARY 1, 1978

|                                                         | United States |      | United Kingdom |      | Australia |         | Denmark |         | Federal Republic Of Germany |         | Finland |      | France |      | Ireland |      | Jamaica |      | Japan   |      | Netherlands |         | New Zealand |      | Norway |      | Sweden |      | Trinidad & Tobago |      | Union Of S. Africa |  |
|---------------------------------------------------------|---------------|------|----------------|------|-----------|---------|---------|---------|-----------------------------|---------|---------|------|--------|------|---------|------|---------|------|---------|------|-------------|---------|-------------|------|--------|------|--------|------|-------------------|------|--------------------|--|
|                                                         | Art.          | Rate | Art.           | Rate | Art.      | Rate    | Art.    | Rate    | Art.                        | Rate    | Art.    | Rate | Art.   | Rate | Art.    | Rate | Art.    | Rate | Art.    | Rate | Art.        | Rate    | Art.        | Rate | Art.   | Rate | Art.   | Rate | Art.              | Rate |                    |  |
| Management Fees                                         |               |      |                |      |           |         |         |         |                             |         |         |      |        |      |         |      |         |      |         |      |             |         |             |      |        |      |        |      |                   |      |                    |  |
| Interest                                                | XI            | 15   |                | 25   |           | 25      |         | 25      |                             |         |         |      |        |      | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             | VIII(2) | 15          |      | 25     |      |        |      | 25                |      | 25                 |  |
| Interest - Other (A)                                    | XI            | 15   | 10             | 15   |           | 25      |         | VIII(1) |                             | VII     | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             | VIII(2) | 15          |      | 25     |      |        |      | 15                |      | 25                 |  |
| Estate Income                                           |               |      |                |      |           |         |         |         |                             |         |         |      |        |      |         |      |         |      |         |      |             |         |             |      |        |      |        |      |                   |      |                    |  |
| Rentals                                                 | XI            | 15   |                |      |           | 15      |         | VIII(1) |                             |         | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Rentals - Other (B)                                     | XI            | 15   | 5              | 25   |           | 25      |         | VII(1)  |                             |         | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Royalties                                               | XI            | 15   | 11             | 10   |           | 25      |         | VIII(1) |                             | VIII(2) | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Royalties - Other (C)                                   | XI            | 15   | 5              | 25   |           | 25      |         | VII(1)  |                             | XIII    | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Timber Royalties                                        | XI            | 15   | 5              | 25   |           | 25      |         | VII(1)  |                             |         | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Alimony                                                 | XI            | 15   | 20             | Nil  |           | 25      |         | 25      |                             |         | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Patronage Dividends                                     | XI            | 15   |                | 25   |           | 25      |         | 25      |                             |         | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Dividends(D)                                            | XI            | 15   | 9(3)           | 15   |           | VIII(2) |         | VIII(1) |                             |         | 15      |      | 25     | 25   | VII(1)  | 15   |         | 25   | VIII(1) | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Films                                                   |               |      |                |      |           |         |         |         |                             |         |         |      |        |      |         |      |         |      |         |      |             |         |             |      |        |      |        |      |                   |      |                    |  |
| Pensions & Annuities                                    | XI            | 15   | 11(5)          | 10   |           | 25      |         | VII(1)  |                             | VIII(3) | 15      |      | 25     | 25   | VIII(1) | 15   |         | 25   | VIII    | 15   |             |         |             |      |        |      |        |      | 15                |      | 25                 |  |
| Pensions Out Of Public Funds                            |               | Nil  |                | Nil  |           | Nil     |         | Nil     |                             | Nil     | Nil     |      | Nil    | Nil  | Nil     | Nil  |         | 25   |         | 25   |             |         |             |      |        |      |        |      | Nil               |      | 25                 |  |
| Lump Sum Out Of Pensions, Annuities Or Similar Payments | XI            | 15   |                | 25   |           | 25      |         | 25      |                             |         |         |      | 25     | 25   | VII(1)  | 15   |         | 25   |         | 25   |             |         |             |      |        |      |        |      | 25                |      | 25                 |  |

NOTES:

- (A) INTEREST - OTHER - Subsection 10(4) of the Income Tax Application Rules, 1971 (ITAR, 1971)
- Where an amount is paid or credited by a person resident in Canada to a non-resident person
- (a) who is resident in a prescribed country; and
- (b) with whom the person resident in Canada was dealing at arm's-length,
- as, on account of or in lieu of payment of, or in satisfaction of, interest payable on any bond, debenture, mortgage, hypothec, note or similar obligation issued before 1976 by the person resident in Canada to the non-resident person, for the purposes of computing the tax under Part XIII of the amended Act payable by the non-resident person on the amount, subsection 212(1) thereof shall be read as if the reference therein to "25%" were read as a reference to "15%".
- (B) RENTALS - OTHER - refers to payments made for the use of or the right to use real or immovable property in Canada.
- (C) ROYALTIES - OTHER - refers to payments made for the use of or the right to use real or immovable property in Canada.
- (D) For corporations which qualify for a degree of Canadian Ownership, the rate specified in the schedule will have to be further reduced by 5 percentage points in accordance with subsection 212(3) of the Income Tax Act.
- (E) No withholding on copyright royalties (Subparagraph 212-11(d)(v)).
- (F) The rates shown are based on the provisions of the Tax Agreements in effect on December 31, 1975, and when applicable subsection 10(6) of ITAR, 1971.
- (G) For all non-treaty countries the rate is 25% generally.

the parent company and its subsidiary, agreement may be either formal contract or otherwise. As a rough gauge, however, the American producer received roughly 65 per cent of the rentals accruing to those companies.

Essentially the same problems were evident with deals arranged by Canadian-owned distribution companies whether major or independent. When formal distribution arrangements or practice agreements existed, the sharing was roughly on a 65-35 basis.

Another interesting trend appears to have resulted from the contingency built into CFDC productions, whereby distribution arrangements must be secured prior to a commitment for investment by the agency. This has the effect of initiating a number of advance guarantees concerning the production. Often, advances provided major Canadian distribution firms are normally in the form of a token investment that secures the distribution rights for the firm in question and, in some cases, laboratory work. This trend follows the American pattern, where American labs invest in film, partly with the objective of obtaining the printwork. A token investment therefore ensures that a laboratory will do all prints required in distribution, or, in the case of the distributor, an investment may ensure the distribution rights for a distribution company. Where this practice occurs with American productions, it is likely that all laboratory work will be done in the United States. (12)

For the seven major American distributors, the products distributed are primarily those of the parent company. However, this does not mean that these companies will come up with the total investment. Often a major company will purchase a "film package" which is owned by a co-producer, with arrangements for stars and directors included in the package. When this occurs, the production-distribution firm is

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(12) In 1974 the majors remitted approximately \$1.3 million for laboratory and other materials (special surveys).



distributing for basically the 15 per cent distribution fee. Also many of the majors depend to some extent on shelter-financing. Columbia Pictures depends largely on this form of investment support, and a recent *Variety* reported a \$108 million deficit position by this company.

#### 5.8 Promotion and Advertising

Over the past decade a considerable shift may be observed with respect to theatrical promotion and advertising expenditures. Firestone's study reported that with the exception of one independent distributor in Quebec (France Film), the majority of feature film advertising was to be found in newspapers. France Film because of its association with Tele-Metropole (Channel 10) Montreal's largest privately owned station was, however, devoting sizable amounts for film advertising on this channel. France Film was also organized through vertical integration with a small exhibition circuit and was primarily involved with the distribution of French language films. Today a large number of companies have adopted this policy, and a growing proportion of advertising is placed with the television media. Apparently this strategy has proved to be effective. The overall shift in advertising patterns is shown on Table V-5.

The figures in Table V-5 denote that newspaper advertising, while still important, has slipped somewhat with respect to its share of film advertising expenditures. On the other hand, TV advertising has increased significantly over this decade. This medium is particularly effective when distributors/exhibitors are attempting to change established marketing patterns through the exploration-type movie. "Four-wallers," such as the recent "Mysterious Monsters", represent an effort to exploit the market or to sell a film quickly. The intention is to get in and out of the market as soon as possible. While expensive, this venturesome approach is gaining industry acceptance as the way to gain public

attention. More and more distribution and exhibition expenditures appear to be taking this form. One further note on this pattern is that it not only allows an opportunity for experimenting in market concentration and in depth penetration, but provides outsiders an opportunity to break established marketing patterns.

Table V-5

ESTIMATED BREAKDOWN OF THEATRICAL  
ADVERTISING EXPENDITURES 1964 & 1974

| Form of Advertising | 1964 <sup>(13)</sup> | 1974 <sup>(14)</sup> |
|---------------------|----------------------|----------------------|
|                     | Percentages          |                      |
| Newspaper           | 69                   | 50                   |
| TV and Radio        | 34.5                 | 35 (TV)              |
| Other               |                      | 15 (Radio)           |

5.9 Sharing Advertising Expenditures

A large sum of money continues to be directed into exhibition via the sharing of promotional expenditures. In 1974 the CMPDA members spent \$4.5 million for this purpose.

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(13) See Firestone Report Part II, p. 2-8(a)

(14) Estimated on the basis of interviews completed with distribution firms.



Table V-6  
ESTIMATED SHARING OF PROMOTIONAL EXPENSES

| <u>Type of Expenditure</u>   | <u>Estimated Sharing of Advertising Expenditure</u> |                             |
|------------------------------|-----------------------------------------------------|-----------------------------|
|                              | <u>1964</u> <sup>(15)</sup>                         | <u>1974</u> <sup>(16)</sup> |
| Direct (by distributor)      | \$ 200,000                                          | 2,000,000                   |
| Indirect (through exhibitor) | \$ 1,230,000                                        | 4,500,000                   |

Two shifts in promotional expenditure patterns are shown in Table V-6. First, a greater share of the promotional activity is being absorbed by the distributor. Basically, this means a shift toward the distributor taking more of the risk and, consequently more of the return when a film is successful. This shift is more understandable when related to the tendency toward Hollywood blockbusters and 90-10 deals (wherein the distributor pays 90 per cent of the promotion expenses and receives 90 per cent of the receipts, after the house expenses have been deducted).

#### 5.10 Summary of Conclusions

In this section of the report a survey conducted among the CMPDA members produced various statistics for this group that permitted some comparison with statistics for the industry as a whole provided by Statistics Canada. A number of observations came out of this process.

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(15) Firestone Report p. 2(8)a

(16) Estimated from Statistics Canada and CMPDA Survey

First, the number of distribution firms reported to be operating in 1974 had increased dramatically over former years. While it was observed that some new firms sprang up from productions sponsored by the CFDC, this did not fully explain the increase.

Further examination showed that the total rentals accruing from CMPDA member companies was disproportionately high and left only a minimal amount to be shared among 74 non-members of this association. A sampling of approximately 30 independent companies showed that a significant amount of film rentals was in fact earned by these firms.

What these findings suggested was a possible under estimate of theatrical film rentals in the Statistics Canada report. Further support for this contention was proved through interviews with various theatrical exhibitors. The exhibitions indicated that the film rental portion of their gross receipts had risen substantially:

|                   |       |
|-------------------|-------|
| Famous Players    | 42.8% |
| Odeon             | 50.0% |
| Premier Operating | 34.0% |

Using 38 per cent as a low-level estimate for all theatre rentals' share of box office receipts, total theatre rentals would approximate \$68 million. Table IV-7 provides a revised estimate of the sharing of theatrical rentals between CMPDA members and independents for the year 1974.

Generally, the results of the survey showed that distributors, not exhibitors, have been the main benefactors of increased theatrical revenues. The shift in advertising expenditures from exhibitor



to distributor is a key indicator of this trend. It shows that in more and more of the deals between exhibitors and distributors as such, the distributor promotes, gambles and is generally taking a larger share. It would also suggest the trend toward fewer and more expensive productions is continuing.

For the Canadian distributor, the revised estimate suggests that some inroads have been made into this market. Several factors lend credibility to this observation:

- The existence of at least four large Canadian distribution firms in the independent group (France Film, Ciné-Art, Ambassador, Cinepix).
- That film rentals resulting from the exhibition of Canadian products have largely fallen into the hands of the independents, and that although the amounts are not exorbitant, they are sufficient to support the trend which has been identified.
- Further support is given in Table IV-4 which shows the percentage of film rentals remitted abroad dropping from 67.1 to 53.5 per cent.

Table V-7

REVISED ESTIMATE OF FILM RENTALS,  
THEATRICAL DISTRIBUTION BY TYPE OF DISTRIBUTION 1974

|             | <u>No. of Films.</u> | <u>1974 Rentals</u> | <u>Percentage</u> |
|-------------|----------------------|---------------------|-------------------|
| Majors      | 637                  | 56                  | 83                |
| Independent | 264                  | 12                  | 17                |
| TOTAL       | 901                  | 68                  | 100               |



## 6. (MICRO-PROFILE) EXHIBITION

This chapter examines more closely film exhibition markets. It covers the major circuits operating movie theatres and the major television networks and their operations. Ownership patterns and profitability factors are given attention where possible. The purpose is to establish a micro-profile of trends occurring in the industry. It was not possible to develop this profile for non-theatrical exhibitors due to the amorphous nature of that group.

The first section concentrates on the companies and chains operating movie theatres in Canada. In the past a financial profile of Canadian theatre operations was calculated periodically from income tax returns by the Department of National Revenue. Since this is no longer undertaken, the industry statistics given in this survey are of a more general nature. The second section looks at the television market, its structure, and trends in this market. It should be noted that despite the current inquiry into the theatrical distribution and exhibition system by the Director of Investigation and Research, Combines Investigations Act, the industry was quite helpful in piecing together this profile.

### 6.1 Motion Picture Theatres

A total of 1423 motion picture theatres were operating during 1974. Of this total, 1116 were regular or hard-top theatres, with the rest being 307 drive-in theatres. This represents a decrease of 19 regular and an increase of 8 drive-in theatres, which amounts to an overall decrease of 11 theatres from the total of 1434 in 1973 (Statistics Canada - Advance Statistics, 1974).

This observed trend to fewer theatres is somewhat misleading: the trend is also toward smaller theatres within large complexes. According to Statistics Canada, in 1974, 1116 establishments reported a total of 1231 auditoriums (screens). This trend also applies to drive-in theatres;

however, a much smaller percentage of these are twinned. Certain economies of scale are possible with twinned and triple theatre operations; a trend continues in that direction.

## 6.2      Theatrical Exhibitors--The Expanding Role of Major Chains

In 1965 the major circuits owned and/or operated over 75 per cent of the motion picture theatres in Canada and accounted for approximately 75 per cent of the box office receipts. The figure is likely closer to 85 per cent today. The Firestone Report concentrated primarily on Ontario and reported three major circuits operating 465 cinemas during 1965: Famous Players, 289; Odeon, 116; Twentieth Century, 60. Two smaller Quebec circuits were owned by French Canadian interests: the France Film circuit comprised of eight theatres, and Leo Choquette operating 20.

Generally, this strong trend toward larger circuits has continued. Today Famous Players operates 403 auditoriums, Odeon 123, Canadian Theatres about 65, Theatre Holdings 65, and Prairie Allied, 60. The chains have continued to expand up to the present and have diversified their businesses. Most of the expansion involves either the renovation of older cinemas, or establishment of theatres in suburban shopping centres. The economies are best with older theatres: mortgages and rents are lower. Odeon and Famous Players continue as the main figures in theatrical exhibition with their strength largely derived from ownership of appreciating downtown properties.

## 6.3      Famous Players, Ltd.

Famous Players, Ltd. is a subsidiary company, 48.8 per cent owned by Canadian Cable Systems, Ltd., and 51 per cent owned by Paramount Pictures, Inc. Canadian Cable Systems, Ltd. is listed on the Toronto and Montreal Stock Exchange. This present status of the company came into being in 1971 when Famous Players, Ltd. was directed by the Canadian Radio and Television Commission (CRTC) to divest itself of its interests



in television and cable companies. Following this ruling the company was re-organized on the above basis.

Famous Players, Ltd. is the largest motion picture theatre circuit in Canada and one of the largest in the world. It has an interest in 403 motion picture auditoriums and drive-in screens in Canada. These include theatre leases, theatres owned by the company, and theatres in which Famous Players has an interest in the ownership. Partnerships appear to be fewer in number today, following a ten-year period (1965-1975) in which Famous Players moved aggressively to expand and consolidate its theatre interests. Many of the changes which have occurred were prompted by economic conditions, primarily shrinking theatrical attendances.

The Annual Report (Canadian Cable Systems Ltd., 1975)<sup>(17)</sup> points to 403 screens operated by Famous Players and its subsidiary operations. This total approximates the peak of 419 cinemas operated in 1953. Theatres today are generally smaller, with the economic conditions dictating improved, careful management.

United Amusement Corporation, formerly owned and operated by a Montreal group, was purchased by Famous Players in 1969. Formerly Famous Players had owned 43 per cent of the common stock of this company, with the balance held by a number of private individuals, largely resident in Quebec. In 1965 this company operated 31 theatres. Today United Amusement no longer functions as a completely autonomous corporation doing its own film buying, booking and management. Its theatres are included in the Famous Players group and are booked and managed by the parent company.

In a further acquisition, Famous Players acquired a circuit in Ontario referred to as the United Century Group. The shares in this company of over 33 theatres were split formerly between theatres Famous Players and N. A. Taylor and Associates. Management, including film buying and booking, was subsumed in this takeover.

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(17) See Figure VI-1.

Figure VI-1

13. FAMOUS PLAYERS LIMITED

Consolidated Statement of Earnings and Retained Earnings

|                                    | YEAR ENDED JUNE 30 |               |
|------------------------------------|--------------------|---------------|
|                                    | 1975               | 1974          |
| Revenue                            | (\$'000)           | (\$'000)      |
| Theatre and other revenue          | \$ 89,359          | \$ 74,925     |
| Property rental income             | 8,943              | 7,489         |
| Proceeds from disposal of property | 1,985              | 3,677         |
|                                    | <u>100,287</u>     | <u>86,591</u> |
| Cost of sales                      |                    |               |
| Film, advertising and other costs  | 43,465             | 35,867        |
| Hotel cost of sales                | 1,238              | 1,160         |
| Cost of property sold              | 767                | 1,749         |
|                                    | <u>45,470</u>      | <u>38,776</u> |
| Operating expenses                 |                    |               |
| Other income and expense (net)     | 279                | 298           |
|                                    | <u>2,970</u>       | <u>417</u>    |

Equity in earnings of non-consolidated affiliates and partnerships before income tax, including in 1975 gain on sale of real estate of \$1,900,000

Operating income  
Interest expense, net of interest income  
Earnings before income taxes

Income taxes

Current  
Deferred

Earnings before minority interest

Minority interest in net income of subsidiaries

Net earnings

Retained earnings, at beginning of year

Dividends paid

Retained earnings, at end of year

Consolidated Balance Sheet

|                                 | 1975             | 1974             |
|---------------------------------|------------------|------------------|
|                                 | (\$'000)         | (\$'000)         |
| Current assets                  | \$ 8,794         | \$ 6,775         |
| Investment and other securities | 7,027            | 5,810            |
| Fixed assets, at cost           | 130,566          | 120,561          |
| Less: Depreciation              | (43,373)         | (43,833)         |
|                                 | <u>87,193</u>    | <u>76,728</u>    |
|                                 | <u>\$103,014</u> | <u>\$ 89,313</u> |
| Current liabilities             | \$ 16,803        | \$ 12,152        |
| Deferred income taxes           | 2,770            | 2,503            |
| Long-term debt                  | 31,791           | 28,210           |
| Other non-current liabilities   | 972              | 533              |
| Minority interest               | 195              | 283              |
| Total liabilities               | <u>52,531</u>    | <u>43,681</u>    |
| Capital stock                   | 32,934           | 32,934           |
| Contributed capital             | 6,635            | 6,635            |
| Retained earnings               | 10,914           | 6,063            |
| Shareholders' equity            | <u>50,483</u>    | <u>45,632</u>    |
|                                 | <u>\$103,014</u> | <u>\$ 89,313</u> |

Consolidated Statement of Changes in Financial Position

Funds provided

From operations  
Net earnings  
Depreciation  
Deferred income taxes  
Equity in undistributed earnings  
Minority interest and other charges

Decrease (increase) in advances to affiliated companies  
Increase in long-term debt  
Other

Funds applied

Capital expenditures (net)  
Decrease in long-term debt  
Dividends paid  
Other

Decrease in working capital

|          | 1975          | 1974     |
|----------|---------------|----------|
|          | (\$'000)      | (\$'000) |
| \$ 7,004 | \$ 4,554      |          |
| 3,410    | 3,203         |          |
| 267      | 120           |          |
| (2,262)  | (2)           |          |
| 596      | 144           |          |
|          | <u>8,019</u>  |          |
| 2,118    | (817)         |          |
| 6,644    | —             |          |
| 9        | 54            |          |
|          | <u>7,256</u>  |          |
| 13,875   | 8,225         |          |
| 3,063    | 1,062         |          |
| 2,153    | 2,010         |          |
| 1,327    | 191           |          |
|          | <u>11,488</u> |          |
| 20,418   | 11,488        |          |
| \$ 2,632 | \$ 4,232      |          |



The holdings of The Consolidated Theatres Group include several first-run theatres in Montreal. Today these theatres are booked and managed by Famous Players, with ownership control having passed totally to this company.

The partnership of Theatre Holdings Ltd. with Premier Operating remains as it existed in the 1960s. Approximately 65 theatres and drive-ins are included in this group, which is managed by Premier Operating out of Toronto. Theatre Holdings is owned 50 per cent by Premier Operating, and 50 per cent by Famous Players.

Further acquisitions have occurred with Famous Players closing down theatres, selling off properties and maintaining only the most viable operations. Along with these acquisitions and partnership arrangements Famous Players has proceeded on a course of twinning and tripling old theatres in order to improve their economic viability. Reference to the 1975 Annual Report will give a complete picture of the diversity in this organization.

This company's arrangements between distributors and exhibitors have existed since the 1940s with few basic changes. The main sources of feature films shown in Famous Players Theatres are:

Paramount Distribution--100%

(These products are shown in practically all theatres owned, leased or operated by this firm.)

Warner Bros. Distributors--100%

|                |   |                         |
|----------------|---|-------------------------|
| Universal--1/3 | ) | Distributed by Bellevue |
|                | ) | Films of Canada         |
| Walt Disney    | ) |                         |

|                      |   |                       |
|----------------------|---|-----------------------|
| United Artists--100% | ) | Distributed by United |
| (Plus MGM)           | ) | Artists               |

|                       |   |                         |
|-----------------------|---|-------------------------|
| 20th Century Fox--2/3 | ) | Distributed by Bellevue |
|-----------------------|---|-------------------------|

Astral

Ambassador

Over the years shifts have occurred within these arrangements. Formerly United Artists and Universal were obliged 100 per cent to Odeon and Columbia 100 per cent to Famous Players. While such arrangements exist, they do not apply in situations where Odeon and Famous Players are not in direct competition. In such cases any distributor deals with any exhibitor.

Discussions with the independent distributors showed that although they had a tendency to align with a major chain, this did not preclude their dealing with independents or other major chains in non-competition situations.

In Quebec, Famous Players obtain French language films from Film Mutual, Cinépix, and Prestige Films.

Occasionally special distribution arrangements are made, generally believed in the best interests of the public. When the blockbuster, "Jaws," was shown, Universal arranged a split between Odeon and Famous Players along the following lines:

| <u>Centres Played by Odeon</u> |                 | <u>Centres Played by Famous Players</u> |
|--------------------------------|-----------------|-----------------------------------------|
| Toronto                        | Vancouver       | Montreal                                |
| Hamilton                       | North Bay       | Winnipeg                                |
| Burlington                     | Sault Ste Marie | Ottawa                                  |
| Saskatoon                      | Moncton         | Halifax                                 |
| Oshawa                         | Brantford       | Saint John                              |
| Kingston                       | Edmonton        | Guelph                                  |
| Peterborough                   | Calgary         | Vernon                                  |
| Victoria                       | Fredericton     |                                         |

This breakdown according to centres is useful in that they represent the major first-run viewing areas in Canada, or the key centres.

Famous Players declared dividends totalling \$2.153 million in 1975. Since Canadian Cable Systems Ltd. own 48.8 per cent and Paramount (Gulf-Western) 51 per cent, remittances abroad would approximate \$1.098 million. This amount is relatively insignificant when compared to remit-



tances made by major distribution firms; it is less than the amount remitted for prints and advertising by these firms (estimated at \$1.3 million in 1974). Note that Famous Player dividends are accumulated dividends based on theatres, hotel, and other operations (see Figure VI-1),

#### 6.4 Odeon Theatres (Canada), Ltd.

Odeon Theatres (Canada), Ltd. is a private company owned by J. Arthur Rank, a British firm. It operates a total of 123 theatres in Canada in 1976. This includes 97 theatres and 119 auditoriums plus 27 drive-in theatres (see Table VI-2).

While most theatres in this chain are wholly owned and operated, or wholly leased and operated by the Odeon Circuit, 7 operations are owned or leased on a 50 per cent basis with various partners. Odeon-Morton operates theatres in Winnipeg and Saskatoon, Odeon-Midwestern in Edmonton, and Odeon-Midwestern in Calgary. Odeon also has a partnership arrangement in two theatres with Premier Operating.

Odeon Theatres, like Famous Players, have been shutting down theatres, but also have planned an intensive expansion program through 1976-1977. The expansion is by and large a leasing program, with plans quite firm for the following centres:

- Vancouver (twin)
- Champlain (twin)
- Longueuil (twin)
- London (twin)
- Toronto (Fairlawn) (twin)
- Ottawa (twin)
- Hamilton (twin)

Odeons' before-tax profits in Canada during 1975 were roughly \$8 million. This includes some revenues from Neon Sales Ltd. and Steel Art, which are Odeon subsidiaries. From this amount approximately \$1 million went to the company owners, Rank Organizations Ltd.<sup>(18)</sup>

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(18) Based on discussion with Odeon Vice-president.

TABLE VI-2

OPERATING SUMMARY

|                       | <u>Non-Partnership</u> |                | <u>Partnership</u> |                | <u>Total</u>    |                |
|-----------------------|------------------------|----------------|--------------------|----------------|-----------------|----------------|
|                       | <u>Theatres</u>        | <u>Screens</u> | <u>Theatres</u>    | <u>Screens</u> | <u>Theatres</u> | <u>Screens</u> |
| Conventional - single | 64                     | 64             | 12                 | 12             | 76              | 76             |
| - twin                | 18                     | 36             | 2                  | 4              | 20              | 40             |
| - triple              | -                      | -              | 1                  | 3              | 1               | 3              |
|                       | <u>82</u>              | <u>100</u>     | <u>15</u>          | <u>19</u>      | <u>97</u>       | <u>119</u>     |
| Drive-ins - single    | 19                     | 19             | 6                  | 6              | 25              | 25             |
| - twin                | -                      | -              | 1                  | 2              | 1               | 2              |
|                       | <u>19</u>              | <u>19</u>      | <u>7</u>           | <u>8</u>       | <u>26</u>       | <u>27</u>      |
| TOTAL                 | <u>101</u>             | <u>119</u>     | <u>22</u>          | <u>27</u>      | <u>123</u>      | <u>146</u>     |

Calculated from list provided by Odeon.

The sources of the films exhibited by Odeon were:

- (a) Columbia--100%
- (b) Universal--2/3
- (c) 20th Century Fox--1/3

## 6.5 General Operating Economics (Theatres)

The economics of a theatre operation is subject to numerous factors, including competent management. For successful operation of a theatre in an economy where admissions have levelled off and little growth can be anticipated, two important variables come to the forefront:

- The product (quality of films obtained for exhibition in the theatre).
- The house overhead (rent, mortgage, lease, and other fixed expenditures).



In circumstances where a theatre is able to obtain a share of the main feature movies coming into the market, and there is a market, its chances of survival are good, even where it operates on a high fixed-overhead position. On the other hand, when a theatre opens in an established market, having no guarantee of access to first-run movies and is faced with tough competition from the majors, its chances of survival are minimal.

The house overhead is a significant factor. Older theatres with smaller mortgages and interest rates are better able to eke out a living showing second-run movies. This is often the case in rural communities. On the other hand, new movie houses opening in shopping centres and having high fixed overhead expenses and no guarantee of access to first-run movies are faced with a difficult economic environment.

Generalizations are treacherous, however, for the economics of theatre operations is basically a function of supply and demand. If attendances were to increase in theatres, thus stimulating the production side, smaller independent operators would have the opportunity of moving into an expanding market. As this report has shown, the market has not expanded.

Table VI-3 is merely an example of how operating expenses in a theatre might be allocated. House rents are lower in situations where ownership has existed over a number of years. If film rentals are kept under control, profits may be realized.

TABLE VI-3

ESTIMATED THEATRE OPERATING EXPENSES

|                         | <u>US</u><br><u>1965</u> | <u>Canada</u><br><u>1975</u> |
|-------------------------|--------------------------|------------------------------|
| House (rent, etc.)      | 24.5                     | 20.0*                        |
| Staff (salaries, wages) | 26.6                     | 25.0                         |
| Show (film rental)      | 34.4                     | 38.0*                        |
| Sales (campaign)        | 9.0                      | 5.0                          |
| Profit (before tax)     | 3.5                      | 10.0*                        |

\*Theatre profitability is largely a function of these two factors, assuming there is access to feature films.

## 6.6 General Operating Economics (Television)

Television exhibition of feature films now accounts for just less than 25 per cent of all film rentals in Canada. This market has been the least active of all those open to entertainment films, increasing only slightly from \$18.2 million in 1964 to \$19.9 million in 1973. (See Table VI-8). Accordingly, television's contribution to total film rentals slipped from 40 per cent in 1964 to the present 25 per cent. This form of distribution concentrates on two markets (French and English) and is based on three types of sales:

- Network sales
- Group sales
- Syndication sales

Network sales are made directly to a television network for a single, double, or triple showing of a feature or entertainment film. For such deals the distribution makes one print available to the network. Apparently, the number of these sales has lessened somewhat in recent years. This is particularly so with the CBC English network, where large advertisers no longer seek to sponsor movies.

On the CBC French network, the opposite holds true, and large numbers of feature movies are shown on the network. The CTV network, although showing fewer network shows, will occasionally turn up a movie sponsored by a single company. (Generally, the trend is away from a single sponsor for an hour long program, i.e., "Hockey Night in Canada".) CTV network sales are often made on the basis of two national or network showings and three showings for each of the affiliated stations.

Table VI-4 shows the five Canadian television networks and their affiliated stations.

To cover the networks the major distributors, which are affiliated with the major theatrical distribution companies, operate branches in at least Montreal and Toronto. Smaller companies who specialize in television rentals usually operate only out of one or the other of these two



TABLE VI-4

CANADIAN TELEVISION NETWORKS

MAJOR TELEVISION NETWORKS

|                                     |           |                                                                                                                                              |                                                                                                                                                                |
|-------------------------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. <u>CBC ENGLISH</u>               | Stations: | Canadian Broadcasting Corporation<br>P. O. Box 8478, Ottawa, Ontario                                                                         | Toronto Address: P. O. Box 500, Station A                                                                                                                      |
|                                     |           | (Metronet) - 13 stations (CBC owned and operated) (most important stations)<br>(Basic Network) - 35 stations<br>(Full Network) - 40 stations |                                                                                                                                                                |
| 2. <u>CBC FRENCH</u>                |           | Société Radio-Canada<br>1400 est, boul. Dorchester<br>Montréal, Quebec H2L 2M2                                                               |                                                                                                                                                                |
|                                     | Stations: | CBC French Network - 15 stations (10 only in Quebec)                                                                                         |                                                                                                                                                                |
| 3. <u>CTV</u>                       |           | CTV Television Network Limited<br>42 Charles Street E.<br>Toronto, Ontario M4Y 1T4                                                           |                                                                                                                                                                |
|                                     | Stations: | 17                                                                                                                                           |                                                                                                                                                                |
| 4. <u>FRENCH - REGIONAL NETWORK</u> |           |                                                                                                                                              |                                                                                                                                                                |
| TVA (FRENCH)                        |           | TVA Television Associates<br>1405 Rue Alexandre-Deseve<br>Montréal, Quebec                                                                   |                                                                                                                                                                |
|                                     | Stations: | TVA (Private French Network) - 4 stations                                                                                                    |                                                                                                                                                                |
| 5. <u>ENGLISH - LIMITED NETWORK</u> |           | Global Television Network<br>81 Barber Greene Road<br>Don Mills, Ontario, M3C 2A3                                                            |                                                                                                                                                                |
|                                     | Stations: | 6 transmitters between Windsor and Ottawa                                                                                                    | - covers Southern Ontario (Ottawa to Windsor) starting January 1974. May also include new stations in Winnipeg, Edmonton, and Vancouver when approved by CRTC. |

centres. The major firms operating in this market are apparently American, with Columbia, Screen Gems, and Universal (MCA) having the largest part of the market.

Group sales consist of sales made to groups of television stations. Table IV-4 gives an accounting of "buying groups" among which packages, or blocks, of film-serials or shorts may be shared.

Syndicated sales are directed toward individual stations. This kind of selling is less important in Canada than in the United States, hence the lack of regional offices. Sales generally are concluded by telephone and offices are in Montreal and Toronto. The larger companies employ one salesman who will cover parts of Canada outside Ontario and Quebec.

One major distributor estimated that the breakdown between syndicated and non-syndicated television selling in Canada was:

|            | <u>French Canada</u> | <u>English Canada</u> |
|------------|----------------------|-----------------------|
| Network    | 80%                  | 65%                   |
| Syndicated | 20%                  | 35%                   |

Appendix XI identifies individual broadcast stations operating in Canada, with notes attached regarding the market of each. Sales to television networks and stations consist of:

- Film rentals (films made for television, and others from the theatrical market)
- Program series
- Re-broadcast program series

It is likely that the estimate of \$21 million total revenues for 1974 includes rentals accruing from all three product types listed above.



TABLE VI-5

BUYING GROUPS

(Representing Two or More Stations)

|                                                                                  |                                                                                    |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Atlantic Television System<br>P. O. Box 5004<br>Moncton, New Brunswick           | CKCW-TV, Moncton, NB<br>CJCH-TV, Halifax, NS<br>CJCB-TV, Sydney, NS                |
| B.C. Interior Television<br>342 Leon Avenue<br>Kelowna, British Columbia         | CFJC-TV, Kamloops, BC<br>CHBC-TV, Kelowna, BC                                      |
| Great West TV<br>1220 - 6th Avenue<br>Prince George, British Columbia<br>V2L 3M8 | CKPG-TV, Prince George, BC<br>CFTK-TV, Terrace, BC                                 |
| Northern Broadcasting Limited<br>65 Queen Street West<br>Toronto, Ontario        | CKWS-TV, Kingston, ONT<br>CHEX-TV, Peterborough, ONT                               |
| Southern Alberta Television<br>955 Rideau Road<br>Calgary, Alberta               | CFAC-TV, Calgary, ALTA<br>CJOC-TV, Lethbridge, ALTA<br>CHAT-TV, Medicine Hat, ALTA |
| Group Program Purchase<br>87 North Hill Street<br>Thunder Bay, Ontario           | Represents CBC affiliate stations                                                  |

## 6.7 Summary Conclusions

In a somewhat recessed economic situation, theatrical circuits have extended their operations into the most favourable locations in all major cities, and have closed down the less viable ventures. They now operate an even greater proportion of successful fast-run urban theatres, with the larger circuits probably accounting for 80-85 per cent of Canadian theatre revenues. These companies have continued special arrangements with the major distribution firms in order to ensure accessibility to all major entertainment films coming on the market.

Because of the land resources at their disposal, the major exhibition companies have followed three basic patterns:

- They have consolidated their holdings by buying out partners.
- They have disposed of less viable theatre operations at inflated profits and acquired new theatre properties in growth sectors.
- They have diversified their interests into other high growth sectors in the economy (hotels, apartments, office buildings, etc.)

In general, the ownership of land has provided such companies with considerable flexibility and leverage in planning future expansion. Under these circumstances they have continued to close theatres, experiment with "duals," triples, and in some cases, up to six-screen cinemas.

Odeon, Famous Players, and their affiliates continue to be the leaders in this industry. In the west, Prairie Allied Theatre Booking has emerged as another significant operation having considerable leverage as a result of controlling North America's largest theatre booking operation.

In the broadcasting sector the major television networks, groups of stations, and independent stations operate under stringent federal regulations (CRTC). This, however, has had apparently little influence on expanding the market for Canadian film products. This market has deteriorated overall in the last decade, particularly so when current rentals are discounted for inflation.



The distribution companies serving the television market were accorded only superficial treatment in this survey, and deserve further attention in order to ascertain the problems and prospects in this sector.

7. SUMMARY, CONCLUSION, AND RECOMMENDATION

In this report a profile has been presented of film distributors and exhibitors operating in Canada. The focus is upon entertainment films. Therefore films sold directly or lent free of charge to schools, universities, businesses and governments are excluded.

Entertainment films are rented, not sold, within three distinctive markets. From total receipts derived from television sponsors, theatrical and other admissions, \$87.2 million in rentals was generated in 1974. Motion picture theatres, both regular and drive-ins, comprise one market. This market is referred to as the theatrical market and in Canada is comprised of 1423 theatres. Television networks, their affiliated stations, and independent stations make up a second film-rental market. In 1975 this included five networks, various groups of stations, and independent stations operating throughout Canada. In a dollar sense, this market represents about one-quarter of total film rentals. Compared to film rentals derived from the theatrical market, the rentals here are one-third of that volume, and have shown virtually no growth over the decade. The third market, although the fastest growing, is in a dollar sense the least significant of the three markets. It is comprised of an undeterminable number of film societies, schools, universities and other agencies from which film rentals totalling roughly \$6 million were derived in 1974.

The private sector plays an important role in this industry, both in making products available, and distributing them to the various exhibition markets. In Canada, direct public sector involvement comes from three agencies: CFDC, as a sponsor of feature film; NFB, as a producer of shorts; and CBC, as an exhibitor of entertainment film on the networks and affiliated stations.

In developing the profile, the report was organized into four parts: a review of the government involvement in developing a Canadian Film Industry; a macro-profile of industry and its development over the



last decade; descriptive and macro-profiles of the distribution and exhibition sectors; and a series of conclusions and recommendations arising from the analysis of each of the preceding parts. A summary of main points is given below.

#### 7.1 Government Policies

In its actions over the past decade, the Canadian government has focussed primarily on developing an indigenous Canadian film production industry. Along with the founding of the Canada Film Development Corporation, various incentives have been offered to encourage Canadian production. In addition, agreements have been reached with two major theatrical circuits operating in Canada (Famous Players and Odeon) to guarantee the theatrical exhibition of Canadian feature film productions. These agreements, referred to as a "Voluntary Quota," have stemmed primarily from the view that the structure and operation of film distributors and exhibitors in Canada obstructed the entry of Canadian film into the market place. No quota system for Canadian films has been proposed for the two major television networks.

#### 7.2 Macro-Profile: Economic Trends in the Industry

The macro-profile of the industry focussed on certain key economic indicators (employment, box office receipts, attendance) in order to establish the industry trends and to determine, in retrospect, the growth potential over the period 1964-1974. The analysis showed:

- Employment in distribution and theatrical exhibits remained almost level or static over this period.
- Gross receipts more than doubled; however, when discounted for inflation, the real growth amounted to a marginal 35 per cent, or less than 2 per cent growth per annum.
- Attendance in theatres was the major shortcoming within the industry, showing a decline of 10 million over the decade, and not reaching the projected goals of the 1960s.

- Television rentals produced the most disturbing result over the time period, showing an almost no-gain or no-growth position, a deficit position when discounted for inflation.
- Non-theatrical rentals showed the strongest growth pattern in moving from less than \$1 million to over \$6 million in annual rentals.

The entertainment film industry is small industry (\$172 million reported) relative to other industries. By the same token, it is a slow growth industry compared to many others, and certainly an anomaly when viewed in the context of the longest period of sustained growth ever experienced by the Canadian economy.

### 7.3 Descriptive and Macro-Profiles: Distributors and Exhibitors

The descriptive profile of the structure and operations showed that business in the distribution-exhibition sectors is conducted today basically the same way it was ten years ago. (The Firestone Report, completed in 1965, gave an excellent detailed description of these processes.) Some subtle but important changes were detected, however.

Business between distributors and theatrical exhibitors, that is, the theatrical circuits, tends to be completed by telephone and does not involve a written contract as it did formerly. Most deals or arrangements are arrived at on the basis of a sliding scale, which is a predetermined percentage sharing of box office receipts between the exhibitor and distributor. Increased attendance favours the distributor, and in turn the producer benefits.

Under this system, block-booking is seldom, if ever, practiced in the urban theatres. The practice is to hold over pictures which have shown good box-office results during the preceding week. Monday is the crucial day for theatre owners and distributors, for it is then that decisions are made across the country on whether to hold or drop a film. When pictures are removed, future presentations may be affected, and occasionally advertising campaigns are disrupted. Conversely, a substitute



picture may be brought in to fill up the time available.

The most important change to be seen is in the increase in box-office dollars going to the distributor and hence to the producer. This percentage has increased from 30.8 per cent in 1951, 34.2 per cent in 1962, to an estimated 38 per cent at the present time. The balance, of course, remains with the exhibitor and covers house expenses and theatre profits.

#### 7.4 Micro-Profile: Distribution

The number of firms distributing films in Canada rose sharply in 1974 (from 68 to 83). While this growth can in part be explained by the entry into the market of new firms distributing CFDC sponsored productions, other factors were also in evidence.

A survey conducted among major and independent Canadian distributors indicated that theatrical film rentals as reported by Statistics Canada were likely underestimates of the total receipts obtained from this market. Another shift observed in this sector was a definite move toward more television advertising. In addition, the basis for sharing of advertising expenditures had changed: a larger proportion was being absorbed by the distributor.

Such trends lend support to the view that a larger share of film rentals obtained in this market accrues to the distributor. The revised estimate of film rentals based on the lower-bound figure of 38 per cent of total box office receipts coming to the distributor producer, suggests that a further \$12 million in film rentals are being shared among the Canadian companies, other than those affiliated with the CMPDA.

Among the major American companies, a consolidation pattern has been in evidence with a reduction in the number of distribution networks in Canada. The new pattern sees Columbia pictures distributed by Astral (a Canadian company), with 20th Century Fox distributed by Bellevue (also a Canadian company), and Metro-Goldwyn-Mayer carried by United Artists, and is due largely to economic setbacks experienced in recent years by these companies.

A comparison of film rental payments abroad in 1964 with those estimated in 1973 brought to light another important trend. As was shown in Section V, the percentages of film rentals remitted abroad has been reduced significantly over the last ten years. When taken together, these various trends strongly suggest that American influence in the Canadian film industry has waned somewhat over the past decade. This view runs counter to the conventional wisdom which holds that the trend has been toward more and more American domination.

#### 7.5 Micro-Profile: Exhibitors

A trend toward consolidation has also been in evidence among the theatrical circuits operating in Canada. The total number of theatres operating is fewer than in 1964. Basically this has meant that the larger theatres have been renovated or divided into smaller auditoriums, leaving the total number of screens in operation at roughly the same as one decade ago, but with far fewer seats available.

A further trend displayed among the larger circuits has been towards diversification of their activities. Rising land values during the past decade have opened the way for numerous attractive investment opportunities, other than theatre operations. To illustrate, Famous Players had reported a profit of roughly \$10 million in 1975. From this total, approximately one-third was the result of land sales.

Other factors were noted respecting profitability and theatre operations:

- Twinning a larger theatre can produce economic benefits of up to 25 per cent in cases where theatres are placed in shopping centres, and greater benefits where the theatre and land are owned, and have been owned for some time, by the theatre operating company.
- Concession revenues were reported as being highly important in maintaining theatrical profits, running at about 15 per cent of total theatrical receipts.



- In Western Canada a large booking organization is an important factor in keeping small-town theatres in operation. The leverage provided by this firm was necessary to hold film rentals at a manageable level.

Rentals occurring from the television exhibition of entertainment films increased only slightly between the years 1964 and 1974.

#### TELEVISION RENTALS

|      | <u>Amount of<br/>Rental</u> | <u>Percent of<br/>Total Rental</u> |
|------|-----------------------------|------------------------------------|
| 1964 | \$18.2 million              | 40.4%                              |
| 1974 | \$20.9 million              | 24.0%                              |

No explanation for this phenomenon was revealed in the interviews, except for an apparent reluctance on the part of the English network of CBC to show Canadian films. Blockages of Canadian products would appear to be far more crucial in this area and warrant further investigation.

A complete background or profile was not obtained in the sector of non-theatrical exhibition that would explain the rate of growth it displayed compared to the other markets. Major companies supplying this market tended to stress its unimportance; companies working exclusively in this market, generally small, did not bring out any unusual aspects. In general, a large number of small firms function within this sector, often providing goods and services of a highly specialized nature.

#### 7.6 Conclusions and Recommendations

Analysis related to the profiles outlined in this report was primarily economic, with little effort made to assess the cultural significance <sup>(19)</sup> of the trends observed. Many of these trends run counter to conventional wisdom on the state of the industry. For example, reports shown in Variety, the industry's sales magazine, often give a bullish

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(19) Appendix VIII presents a discussion of problems in Quebec.

description of the industry's growth. Similarly, reports circulated by the Council of Canadian Film-Makers would lead one to believe that American dominance continues to be total in this industry.

This report gave some evidence to the effect that Canadian distributors are retaining a larger share of film rentals, a portion of which is passed on to producers. The report shows that policies affected by the Canadian Government have resulted in a growing distribution sector. If this growth may be used as an indication, today a film industry exists in Canada, albeit in an infancy stage. This industry has been carved out of three markets, mainly theatrical, non-theatrical, and, to a much lesser extent, television. This development has occurred at a time when difficult economic conditions prevailed, with consumer tastes and preferences shifting toward alternative forms of recreation.

An industry whose total revenues are less than the operating budget of the CBC cannot be self-supporting, and caution must be exercised in directing policies toward one sector at the possible expense of others.

Economic success in each of these markets is measured in terms of film rentals. In the decade in which government policy measures have been in effect, an ever-increasing proportion of film rentals generated in Canada have remained in Canada, to be invested in other sectors or re-invested in film. Investment by Americans in Canadian production has also been substantial.

Government initiative has also made possible co-production agreements that have assured a constant inflow of foreign investment, as well as potential inflow of rental income from foreign markets. These measures have in a small way assisted in strengthening the Canadian balance-of-payments position.

The Department of the Secretary of State has an important role to play in order to maintain such successes that have been achieved, by maintaining a proper balance between public and private sectors. As the department responsible for the development of a Canadian film industry, the Department of the Secretary of State is accountable to a number of



organizations, both public and private. Basically, this is a co-ordinating role involving contact and negotiations with:

- Industry officials, firms, and associations.
- Federal departments and agencies who are directly involved in the industry, (NFB, CFDC, CBC).
- Federal departments involved in film policy (Department of Finance, CRTC).
- Provincial agencies and officials.

To function in this difficult role, two important principles must be kept in mind:

- Policies developed over the past decade are not necessarily the most appropriate for the future. The department must therefore be flexible in its approach to policy development.
- The industry is still in an infancy stage. Given its size and the economic environment in which it operates, government incentives must support total industry development.

## 7.7      Recommendations

For Industry:

- Review and explore the full potential of the television market.
- Provide measures that will help develop Canadian distribution firms, such as:
  - strengthening their bargaining position with foreign producers with respect to the Canadian market;
  - reviewing the effect of increased withholding taxes on distribution firms operating in Quebec;
  - exploring with major American distributors ways of exploiting the American and other international markets;

- encouraging distribution agreements between the American majors and Canadian distribution firms.
- Consider incentive programs aimed at exhibitors, both in television and theatrical.

For Government Departments:

- Improve data base with input from industry, update and revise Statistics Canada questionnaires:
  - film rentals: request figures from exhibitors as well as distributors of this key industry performance measure (i.e., National Accounts approach, GNP = GNE);
  - require further data on broadcasting to calculate total economic significance of this industry (sponsor revenues);
  - request further data on film rentals from this market and non-theatrical.
- Improve capacity for data analysis (Department of the Secretary of State must be able to assess the effects of tax and other measures implemented in other departments, and be able to defend the industry and government departments where applicable):
  - refrain from using data provided in Variety and other such industry magazines. Too often a totally misleading picture is perpetuated;
  - projections or forecasts of future growth are essential--Canada and International Economy (forward planning);
  - use improved Statistics Canada data.

For Public Agencies Involved in the Film Industry:

- Canadian Broadcasting Corporation: Review the role of the CBC and other television exhibitors as it affects the



distribution and exhibition of Canadian films.

- Canadian Film Development Corporation:
  - improve co-ordinating role between producers and distributors;
  - with CFDC-sponsored productions, producers must be informed of the importance of early involvement by distributors of good standing.

For Provincial Departments and Agencies:

- Assist the provinces in assessment of programs aimed at industry development within the provinces, e.g., review quotas as to their effectiveness and possible variations.

VOLUME IV LABOUR FORCE  
THE LABOUR PROFILE OF THE  
CANADIAN FILM-PRODUCTION INDUSTRY

EXECUTIVE SUMMARY

This report presents separate labour profiles for each of the following five principal categories:

- Performers
- Writers
- Musicians
- Film Directors
- Technical Talents<sup>(\*)</sup>

These profiles are each based on the following aspects:

- Organization Structure
- Availability for Employment
- Access to Employment
- Training
- Mobility
- Utilization and Income

Film production, as an industry, cannot be isolated from a number of parallel industries and activities, notably television, that use similar facilities and require the same categories of labour. Moreover, these categories are not in all respects self-contained, since individuals may work in one capacity or another, from time to time or for different types of film-product; there are, for example, film directors who are also producers, and others who write the scenario and script for the films they direct. Also, in all categories, there is a mixture of permanent employees and freelancers, and of full-time and part-time workers.

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(\*) The term 'technical talents' is used in the industry to cover the diversity of technical artists and craftsmen required for film production.



The industry is dominated by the employment and engagement practices of the principal organization in the public sector, the Canadian Broadcasting Corporation (CBC), the CBC being by far the largest employer. In the private sector, there is a very large number of production firms, almost all having a very small output; the heads of some of these firms, who have often been attracted to the film industry by its "cultural" aspect, are frequently inexperienced in regard to industrial and talent relations, and ignorant of the extent to which their work is subject to the often arbitrary dictatorship of organized labour. Production firms in the private sector mostly retain a high degree of elasticity by having a minimal permanent staff which is supplemented by the engagement of freelancers when work becomes more abundantly available.

The labour-organization structure is complicated by the fact that, except for the musicians, anglophones and francophones are represented by separate autonomous associations, some of which are stronger and better organized than others. The strength of organized labour in some fields derives from practices introduced by the CBC, which began to take industrial and talent relations seriously only with the advent of television in the 1950s and tended to follow the practices already established in the film and broadcasting industries in the United States. This has had unfortunate results in two respects: first, the practices that have developed in the United States are not well suited to industrial relations in the public sector, since organized labour is strengthened by the knowledge that, for the CBC, "the show must go on", and by the notion that the public purse is bottomless; and, secondly, the film industry in the United States, with its different demography and much wider and larger markets, is structured in ways that are quite unsuitable as models for its fledgling counterpart in Canada.

The labour profile in Canada is distorted by the presence of the CBC as the largest employer or engager of creative talents, and the opinion has been expressed that, in both, the opportunities to attain the higher levels of income are opened to only a select few, leaving a much larger number to scramble for the meagre rewards available in the private sector. The CBC, although by far the greatest user, devotes only 11% of

its operating budget to the employment or engagement of creative talents, as compared with the British Broadcasting Corporation (BBC) with 35%. There is widespread opinion in the industry that the time is more than ripe for both the CBC and the NFB to commission a much larger proportion of film production from the private sector. The first generation of film makers in the public sector, what is left of it, is nearing retirement age, and the new generation is knocking on the door but mostly in vain. If more work were to be commissioned from the private sector, the result would be an increase in the number, at present very small, of production firms with an output large enough to break the profit-barrier, and this in turn would lead to greater stability of employment in the industry and much wider opportunity for the exercise of creative talents. There would also be a much needed salutary impact on organized labour, for the need to pay more attention to the private sector, and to negotiate with a stronger group of production firms. This would necessitate better organization and discipline in the professional associations and unions, which would tend to unravel the tangled web of industrial relations.

It is therefore recommended that steps should be taken forthwith to increase the amount of film production of all types to be commissioned from the private sector. In the case of the NFB, all that is required is a direction from the Secretary of State.(\*). The CBC, of course, is not subject to such direction, but could presumably be "persuaded"; it would be necessary, however, to make a study in depth of the various labour agreements by which the CBC is at present bound before arriving at a decision on the optimum proportions of "make" or "buy". Such a study is, in any case, strongly recommended, since its findings would be of great value to producers in the private sector in improving their knowledge of the structure and practices of organized labour, and their attitudes to industrial and talent relations.

The excessively complex labour profile of the film-industry in Canada reflects the lack of consistency in the policies and practices of the Federal Government and its agencies. A new approach to the appropriate

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(\*) The National Film Act, S.3, provides that "....the Minister shall control and direct the operations of the National Film Board."



roles for the CBC, the NFB, and the CFDC, as well as the Department of the Secretary of State, is urgently needed; the outcome can only be beneficial to the Canadian film industry in general, and those who comprise its labour force in particular.

## 1. INTRODUCTION

In September 1975, the Department of the Secretary of State commissioned the Bureau of Management Consulting to undertake a study of employment in the Canadian film-production industry, the terms of reference being:

'to obtain a detailed description of the production labour force within both the public and private sectors of the industry.'

### 1.1 Objectives of the Study

The short-term objective of the study was to prepare a profile that would:

- determine the size of the labour force and its components;
- indicate trends in the status and cycle of employment;
- and
- provide a base for the development of training programs.

The long-term objective was to provide the elements of information required for long-term strategy and policy-making by the Federal Government.

### 1.2 Methods of Research

Research has been based on secondary sources, supplemented by a series of interviews. Although constraints of time and funds limited the geographical range of the study and the number of production firms interviewed, it is believed that the conclusions are valid for the whole industry. It was found, however, that the film-production industry in Canada does not lend itself to description or analysis in rigorous terms based on clear and concise data, and that there is a dearth of pertinent and reliable statistics and other information. The report sets out, nonetheless, a description of the present status of the industry, a brief historical review of its development and the development of labour unions and associations, the fragmentation of the labour force and its relation to the amorphous nature of the industry itself, and the importance of the infrastructure that provides technical and other services and facilities for the use of film producers.



### 1.3 The Elements of the Labour Force

Employment in the film-production industry falls into two principal classes, the creative and the technical. It will be seen from Table 1, however, that there are areas of overlap, but for the purposes of this study profiles have been made of the following groups: Performers, writers, musicians, directors, and technicians. It should be noted that there are important differences between the francophone and anglophone components of these groups.

TABLE 1  
CLASSIFICATION OF EMPLOYMENT IN FILM PRODUCTION

#### Creative Talents

##### a. Performers:

- i. actors, singers, dancers;
- ii. announcers;
- iii. hosts, commentators.

##### b. Writers:

- i. authors;
- ii. dialogue writers;
- iii. scenarists;
- iv. adapters;
- v. researchers;
- vi. documentalists.

##### c. Musicians:

- i. orchestras, bands;
- ii. composers, conductors, band leaders;
- iii. instrumentalists.

##### d. Directors:

- i. film;
- ii. television

)  
)  
) - technical aspects  
)

#### Technical Talents

##### a. Technical Arts:

- i. production;
- ii. camera;
- iii. editing;
- iv. design.

)  
)  
) - creative aspects  
)  
)

##### b. Technical Crafts

(Source: Analytical classification for this study.)

The film-production industry cannot be isolated from other related industries, in which opportunities occur for work requiring the various qualifications needed in film production. A majority of the people who work in film production may also find employment, for instance, in broadcasting, the theatre, advertising, publishing, and the press. It would have been impracticable to attempt to cover so wide a range, and the study has accordingly been directed for the most part to the closely related film and television industries. Attention has also been concentrated on Montreal and Toronto, where some 90% of production is located. The labour force has been examined in relation to the following aspects:

- structure,
- availability for employment,
- access to employment,
- training,
- mobility, and
- utilization and income.



## 2. STATUS OF THE CANADIAN FILM-PRODUCTION INDUSTRY<sup>(1)</sup>

### 2.1 Industrialization

Film production in Canada has progressed in recent years from an embryonic *artisinal* into an established but as yet unstructured industry. Leaving aside the influence of the Canadian Broadcasting Corporation (CBC) and the National Film Board (NFB). This progress is largely attributable to the activities of the Canadian Film Development Corporation (CFDC), which was established in 1968 to promote the production of feature films in Canada.

The CFDC has deemed it necessary, before investing in a film, to find a distributor willing to accept the scenario and able to guarantee distribution; this procedure often results in a branch of the distributing agency being associated with the production firm in order to provide a link with the film markets. As production of feature films increased, so did distribution, and a trend developed of dealing with distributors who are also exhibitors. This pattern has prevailed during the past five years, so that the policies of the CFDC have tended to create a more integrated structure for the film industry as a whole.

As a result of these policies, Canada can be said to have developed an industrialized film-production industry without having a structured film industry. Co-productions are now the order of the day, in which most of the lead roles and some of the film crews are manned by foreigners, while Canadians in some categories tend to be left unemployed. One of the consequences of this form of industrialization has been an acceleration in the formation of associations and guilds which, by pressing for definition of roles, separation of responsibilities, and the establishment of recognized scales of remuneration, has helped to convert the former *artisinal* into an industrialized labour force.

### 2.2 Access to Employment

Despite the development described above, no set patterns for access to employment in film production have yet emerged, and everyone is obliged to fend for himself.

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(1) For further details, see the report (Volume II) in this series entitled 'Film Production in Canada'.

### 2.3 Training

There is no professional school in Canada offering a complete program of advanced training in the production and technical arts required for the production of films and television programs, which could serve as a screening agent for students who have taken film courses in colleges and schools. Certain universities offer film courses, but these do not, in the opinion of professionals in the industry, constitute 'advanced training'. Graduates from all these courses flock into the potential labour force fortified by theoretical knowledge alone and generally with insufficient preparation. A professional school specializing in the requirements of the film industry would partly solve the problems of training before entry into the work force, and enable employers to recruit more effectively in the several categories of camera, staging, editing, direction, design, and production. The courses now offered by universities, colleges, and schools do little more than cater to an infatuation, common among the young, for an abstract concept of film making. In spite of a high drop-out rate of students who fail to make the grade, most of the graduates are likely to remain unemployed for a year or more before they decide to seek jobs elsewhere, while the 25% or so absorbed by the industry mostly work as trainees for a year or two before being confirmed in a job category.

Professional schools offering advanced training in film making are operating in Sweden, Italy, France, West Germany, the United Kingdom, Belgium, and Japan; in short, in every country where a recognizable film industry has been developed. It might be premature to establish such a school in Canada, but it would be worth while to study the professional schools in other countries to ascertain whether the establishment of one in Canada might help to stabilize not only the labour force but also the film-production industry itself.

### 2.4 Technological Change Affecting Employment

Today, about 65% of all television programs are on film, which is the normal medium not only for feature films but also for documentaries and many television series programs. This proportion has declined, however, with the advent of videotape techniques, from about 80% in 1969-70. This



change has had little effect on film technicians, directors, and performers, who adapt very readily from film to videotape shooting, but mobility is more complicated for cameramen.

### 3. THE GROWTH OF LABOUR ORGANIZATIONS AND ASSOCIATIONS

It would be beyond the terms of reference of this study to give a detailed account of the evolution of labour organizations active in the film industry, but a short review may assist in an appreciation of the structure of the labour force and its origins. Table 2 gives a list, which does not include all the organizations mentioned in this report, of those that are commonly identified by their initials.

TABLE 2

ORGANIZATIONS COMMONLY IDENTIFIED BY INITIALS

|                  |                                                                                                                           |
|------------------|---------------------------------------------------------------------------------------------------------------------------|
| ACTRA            | Association of Canadian Television and Radio Artists                                                                      |
| AFM              | American Federation of Musicians of the United States and Canada                                                          |
| APFQ             | <i>Association des producteurs de film du Québec</i>                                                                      |
| ARFQ             | <i>Association des réalisateurs de film du Québec</i>                                                                     |
| CCFM             | Canadian Council of Film Makers                                                                                           |
| CFDC             | Canadian Film Development Corporation                                                                                     |
| CFEG             | Canadian Film Editors' Guild                                                                                              |
| CQDC             | <i>Conseil québécois pour la diffusion du cinéma</i>                                                                      |
| CUPE             | Canadian Union of Public Employees                                                                                        |
| CSC              | Canadian Society of Cinematographers                                                                                      |
| DGC              | Directors' Guild of Canada                                                                                                |
| FQMIC            | <i>Fédération québécoise des membres de l'industrie du cinéma</i>                                                         |
| IATSE            | International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada |
| NABET            | National Association of Broadcast Employees and Technicians                                                               |
| SAC              | <i>Société des auteurs et compositeurs</i>                                                                                |
| SEIU             | Service Employees' International Union                                                                                    |
| SFM              | Society of Film Makers                                                                                                    |
| SGCT-<br>ONF/NFB | <i>Syndicat général du cinéma et de la télévision - section office national du film</i> -National Film Board              |
| SGCT-<br>RC/CBC  | <i>Syndicat général du cinéma et de la télévision - section Radio Canada</i> -Canadian Broadcasting Corporation           |



|     |                                    |
|-----|------------------------------------|
| SNC | <i>Syndicat national du cinéma</i> |
| TNG | The Newspaper Guild                |
| UDA | <i>Union des artistes</i>          |

(Source: Special tabulation)

### 3.1 Organized Labour in the Broadcasting Industry

The origins of all labour movements in the film and broadcasting industries can be traced to the advent of television in the early 1950s. ACTRA/UDA, AFM, SAC, and IATSE were, it is true, already on the scene, but only IATSE had negotiated fees and terms of engagement with any engagers. Negotiations that had started on behalf of the technical groups soon spread to the talent groups, primarily through the activities of ACTRA/UDA. Actually, the first organizations to receive certification to negotiate were TNG and NABET, which had organized newsmen and technicians, closely followed by IATSE, which had recruited all stage employees. Because of some parallels between the CBC and the British Broadcasting Corporation (BBC), the early collective negotiations were heavily influenced by clauses in the BBC agreements with British unions after adaptation to North American circumstances. The TV producers formed their own associations in the late 1950s. Around 1965, employees represented by IATSE and some from other groups joined CUPE, which received certification to negotiate for certain CBC employees. Permanent staff of the major broadcasting stations in the private sector are now unionized, being represented for the most part by the groups that organized the permanent employees of the CBC. As a result of a major breakthrough in the private sector, the industry is now dominated by NABET.

### 3.2 Evolution of Organized Labour in the Film Industry

Although the international unions which represent film-industry workers in the United States have chartered locals in Canada, they appear to have had no success with francophones. The film industry in Quebec has spawned a number of associations and guilds, and illustrates a division in associations based on linguistic and cultural differences. In 1963, anglophones in Quebec set up the SFM, while the francophones organized as the *Association professionnelle des cinéastes du Québec* (APCQ), both including

members from the public and private sectors. The objectives were to foster creative opportunities, to promote high professional and ethical standards in the Canadian film industry, and to establish and maintain communications among film makers. In 1964, the distributors organized themselves, followed in 1966 by the film producers.

In the early days, functions and roles had not become crystallized and structured; as in all freelance groups, there was a lack of planning and little uniformity of interest. After the creation of the CFDC in 1968, the film industry became more functional, specialization increased, communications became more difficult, differences of ideology appeared, and there was less unity of purpose among the members of the two original associations.

The francophone group had also founded the SGCT, and in 1968 the public sector members broke away into two sections, SGCT/ONF and SGCT-RC, while the private sector members founded the SNC to represent the film directors and technical talents. In 1973, the ARFQ was established to look after the particular interests of film directors. These developments led to the obsolescence of the *Association professionnelle des cinéastes du Québec*, although it still exists as a legal entity. The SFM still has some 200 members, but no longer plays a leading role in the industry.

This fragmentation, arising from a more technical polarization of interest, raised the need for an umbrella organization, and FQMIC was established in the late 1960s; included were the organisms representing workers, producers, distributors, and exhibitors. Some member organizations have since broken away, however, while others have been excluded. FQMIC appears to be going through major changes, and the co-ordinating role is at present filled by ARFQ and SNC.

Outside Quebec, the CCFM was founded in 1973 as an umbrella organization to represent the interests of workers in the English-language sector of the feature-film industry. This body was the first in English-speaking Canada to assemble the various organizations. An early interest was the creation of Canadian unions and professional associations independent of those in the United States, where conditions in the film industry are quite



different, but this objective seems to have been abandoned. There is now a tacit understanding between CCFM and ARFQ/SNC that each is to go its own way while recognizing and respecting the interests and needs of the other.

In general, it seems that these professional organisms are thinking very big in what is still a very small universe. Feelings of insecurity are widespread, and protection against the distribution system is seen as even more necessary than against employers. Canadian film makers see the infant feature-film industry in Canada as their own creation, which must not be allowed to slip into the clutches of American interests or, even more important, fall victim to American cultural and social values. Today, however, an estimated 1000 freelancers do not belong to any of the unions or professional associations, since they find work mostly in other sectors of the film and television industry, such as news and documentaries, and only rarely in the feature-film sector.

### 3.3 Patterns of Employment

In both television and film production, the CBC is the protagonist in establishing the pattern of working conditions with regard to rights and terms of employment or engagement. In particular, the CBC's various collective agreements contain provisions, known as 'anti-dumping clauses', stipulating that the conditions of those agreements shall apply to programs produced in whole or in part by the private sector. The trend from one set of negotiations to the next is the imposition of more and more restrictions on producers, while the unions and employers are being forced to adopt better forms of organization and structure.

The labour force in the industry comprises full-time permanent employees, part-time employees, and freelancers. There are subtle differences in the pattern of industrial relations between employers or engagers on the one hand, and on the other the creative and technical sectors of the labour force. People in the creative sector are commonly paid from a direct program budget, while permanent employees are on the regular payroll to perform specific functions on a continuing basis.

Industrial relation agreements are typified by clauses dealing with such matters as employee status, seniority rights, and sub-contracting

prevention clauses. Talent relation agreements, on the other hand, are addressed to such matters as working conditions for a particular contract, immediate and repeat utilization of a particular program or film; participation or artistic execution with regard to the final product; and diversification of artistic contributions to be made by various employees and general distribution clauses. These fundamental differences of approach have been highlighted in the profiles of the several sectors of the labour force described in this report.



#### 4. THE PRESENT STRUCTURE OF EMPLOYMENT

##### 4.1 The Labour Force

In the film-production industry, the labour force is characterized by fluidity of employment for one of its components, and by permanence for the other. More than half its members are working on a freelance basis, the proportion exceeding 90% of those engaged in creative activities; the remaining minority, mostly categorized as announcers, writers, or television producers, are working for the CBC, the NFB, arts centres, broadcasters in the private sector, or advertising agencies.

The situation is very different in the technical group, where some 80% are permanently employed and only 20% are freelancers. It should be noted that, for this group, many of the categories of skills can find opportunities for work outside the television and film-production industries.

The major characteristics that appear to influence the composition and utilization of the labour force are the following factors:

- i. Different sectors of the film and broadcasting industries make use of the same human resources, most noticeably in the case of performers;
- ii. The instability of the film-production industry and the need for flexibility in the operations of production firms favour the maximum amount of 'contracting out';
- iii. The professional associations represent the interests of the freelancers and protect their terms of employment;
- iv. The dependence of small-scale producers on an infrastructure of firms providing technical services and facilities has a concentrating influence on the industry;
- v. Tax advantages and the policies of some film sponsors have led to a proliferation of film producers/workers, and to a gradual trend towards decentralization.

The great majority of production firms in the private sector are located in the Montreal and Toronto metropolitan areas, where there are concentrations of services and facilities for French-language and English-language production respectively. The CBC has some production in most of the other large centres, and the NFB has initiated a regionalization program, but their main production operations are in Montreal and Toronto, together with the producers, the distributors, including the American majors, the studios, the laboratories, and the other necessary technical-support services and facilities. Consequently, more than 90% of the labour force engaged in television and film production is concentrated in these two centres.

In the private sector, even the production firms that have the largest output retain minimal permanent staffs, ranging from about five to a maximum of about 35 employees. These firms are able to survive only by following the practice, as soon as a production contract is signed, of retaining the services of freelance technicians and craftsmen, while the services of directors are often retained on the basis of a global sum of money.

A recent development that is the subject of debate is that certain freelancers have been declared 'employees', a status that makes them eligible for unemployment insurance. This is welcomed by unionized freelancers who are not doing very well, but those who have achieved a substantial reputation and prefer to describe themselves as 'self-employed' for income-tax purposes are disturbed; the APFQ have retained counsel to advise them on this matter. The NFB is "still considering the implications", but the position of the organizations that have taken a stand is as follows:

- i. Most of those representing creative artists (ACTRA, UDA, AFM, SAC) are strong opponents, since the present economic base of their members would be changed if they are declared to be employees, and a jurisdictional battle is a distinct possibility;
- ii. Other groups (SNC, IATSE, DGC, NABET) are supporting this trend, since it accrues "sociable benefits" to their members;



- iii. Production firms in the private sector consider the implications very complex, arguing that freelancers are not permanent employees and that deductions should not have to be made for unemployment, income tax, and so on, since they would have to employ additional staff to handle the more complex accounting procedures involved; moreover, apart from the freelancers who benefit by describing themselves as 'self-employed' for income-tax purposes, the situation would be very obscure with regard to freelancers who are incorporated;
- iv. The CBC maintains that freelancers should not be declared 'employees' unless they are under a service contract, as distinct from a contract for services.

Other problems arise with regard to seasonal employees. Various departments at both the federal and the provincial levels of government are far from unanimous in their definitions of 'an employee'. The conclusion that can be drawn is that strict interpretation of federal and provincial legislation governing employment practices is not properly applicable to the film-production industry. Firms in the private sector must retain the maximum degree of elasticity and flexibility in their hiring practices, and freelancers must compete by demonstration of their professional talent and capabilities. It is recommended that a detailed study should be made of this very complex problem.

#### 4.2 Unions, Guilds, and Professional Associations

At present, more than 35 unions, guilds, or professional associations represent the varying interests of different sectors of the labour force engaged in television and film production, distributed as follows:

| <u>Type of Labour</u>    | <u>Number of Organizations</u> |
|--------------------------|--------------------------------|
| Employees, freelancers   | 11                             |
| Distributors, exhibitors | 5                              |
| Co-operative             | 5                              |
| Industrial               | 4                              |
| Artistic                 | 4                              |
| Producers, laboratories  | 3                              |
| Other                    | 3                              |

The characteristics of these groupings, which provide the first indications of the labour profile of the industry, may be summarized as follows:

- i. The bodies representing employees and freelancers are related to specialized categories of work, and comprise autonomous French-language and English-language organizations;
- ii. The distributors and exhibitors are represented by bodies that relate to the markets served, and are commercially functional, structured, and organized;
- iii. The object of the co-operative bodies is to protect the interests of small-scale producers and distributors against the depredations of the "biggies";
- iv. The industrial associations are concerned with the defence of the industry by the labour force;
- v. The bodies representing "artistic" workers are geared to the concept of an industry that is dependent on the creativity of artists;
- vi. The producers, laboratories, and technical services are grouped in relation to French-language production and English-language production (east and west).

In this study, research has been concentrated on those individuals who fall within Groups (i) and (iv) above. This examination takes account of the fact that the anglophone and francophone groups have different but not conflicting interests. The structures in the CBC, the NFB, and the private sector are shown in Tables 3, 4 and 5.

The professional associations for freelancers are grouped in two separate umbrella organizations, CCFM and FQMIC.

The CCFM represents about 8000 film directors, writers, actors, technicians, and production personnel in the English-language sector of the Canadian film-production industry; its structure is illustrated in Figure 1.



TABLE 3

LABOUR STRUCTURE IN THE CBC

|                                                  | I. | <u>INDUSTRIAL UNIONS</u>                                                |                                                                                                                                                                              |
|--------------------------------------------------|----|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                  |    |                                                                         |                                                                                                                                                                              |
| NATIONAL UNIONS -<br>FRENCH AND ENGLISH NETWORKS |    | <u>NABET</u>                                                            | Technical staff, such as:                                                                                                                                                    |
|                                                  |    | (National Association of Broadcast Employees and Technicians)           | <ul style="list-style-type: none"> <li>• technician</li> <li>• soundman</li> <li>• cameraman</li> <li>• electrician</li> </ul>                                               |
|                                                  |    | <u>CUPE - P.G.</u>                                                      | Production staff, such as:                                                                                                                                                   |
|                                                  |    | (Canadian Union of Public Employees, Production Group)                  | <ul style="list-style-type: none"> <li>• continuity assistant</li> <li>• set designer</li> <li>• film cameraman</li> <li>• film editor</li> </ul>                            |
| NATIONAL UNIONS<br>EXCEPT QUEBEC                 |    | <u>CUPE - O &amp; P</u>                                                 | Clerical and Program staff, such as:                                                                                                                                         |
|                                                  |    | (Canadian Union of Public Employees, Office and Professional Staff)     | <ul style="list-style-type: none"> <li>• announcer</li> <li>• steno/clerk</li> <li>• commentator</li> </ul>                                                                  |
|                                                  |    | Membership: <u>2,531</u>                                                |                                                                                                                                                                              |
| QUEBEC ONLY                                      |    | <u>TNG</u>                                                              | Newsmen from:                                                                                                                                                                |
|                                                  |    | (The Newspaper Guild)                                                   | <ul style="list-style-type: none"> <li>• French and English newsrooms except Quebec, Montreal, and the International Service, but including Chicoutimi and Matane</li> </ul> |
| QUEBEC ONLY                                      |    | <u>SGCT - R.C.</u>                                                      | Newsmen from:                                                                                                                                                                |
|                                                  |    | (Syndicat général du Cinéma et de la télévision - section Radio Canada) | <ul style="list-style-type: none"> <li>• French and English newsrooms in</li> <li>• Montreal</li> <li>• Quebec</li> <li>• International Service</li> </ul>                   |
| TORONTO ONLY                                     |    | <u>IATSE</u>                                                            | Film Cameramen for location shooting in Toronto only                                                                                                                         |
|                                                  |    | (International Alliance of Theatrical and Stage Employees)              |                                                                                                                                                                              |
|                                                  |    | Membership: <u>Freelancers</u>                                          |                                                                                                                                                                              |

TABLE 3 - CBC (continued)

|                                                 |                                                            |                                                           |
|-------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------|
| OTTAWA ONLY                                     | <u>IATSE</u>                                               | Lighting Technicians, National Arts Centre in Ottawa only |
|                                                 | (International Alliance of Theatrical and Stage Employees) |                                                           |
|                                                 | Membership: <u>Freelancers</u>                             |                                                           |
| TORONTO AND OTTAWA ONLY                         | <u>SEIU</u>                                                | Building Maintenance employees in Toronto and Ottawa      |
|                                                 | (Service Employees International Union)                    |                                                           |
|                                                 | Membership: <u>54</u>                                      |                                                           |
| II. <u>PROFESSIONAL UNIONS AND ASSOCIATIONS</u> |                                                            |                                                           |
| TELEVISION PRODUCERS                            | Association des Réalisateur                                | Television Producers from:                                |
|                                                 | Membership: <u>151</u>                                     | • Montreal                                                |
|                                                 |                                                            | • Quebec                                                  |
|                                                 | Association des Réalisateur (groupé régional)              | Television Producers from:                                |
|                                                 | Membership: <u>99</u>                                      | • Vancouver to Newfoundland, excluding                    |
|                                                 |                                                            | • Montreal                                                |
|                                                 |                                                            | • Quebec                                                  |
|                                                 |                                                            | • Toronto                                                 |
| RADIO PRODUCERS                                 | Association of Television Producers and Directors          | Television Producers from:                                |
|                                                 | Membership: <u>88</u> and freelancers                      | • Toronto                                                 |
|                                                 | Association des Réalisateur de la Radio                    | Radio Producers from:                                     |
|                                                 | Membership: <u>88</u>                                      | • Montreal                                                |
|                                                 |                                                            | • Quebec                                                  |
|                                                 |                                                            | • Chicoutimi                                              |
|                                                 | Toronto Association of Radio Producers                     | Radio Producers from:                                     |
|                                                 | Membership: <u>130</u>                                     | • Toronto                                                 |



TABLE 3 - CBC (continued)

NATIONAL FRENCH  
AND ENGLISH RADIO  
AND TELEVISION  
NETWORKS

AFM

All Musicians in  
Canada

(American Federation of Musicians  
of the U.S. and Canada)

Membership: Freelancers

UDA

All francophone actors,  
singers and dancers,  
including commentators

(Union des Artistes)

2 agreements

- radio
- television

Membership: Freelancers

SAC

All francophone writers:

- (Société des Auteurs et Compositeurs) • researchers  
• documentalists

2 agreements

- research
- authors

Membership: Freelancers

NATIONAL FRENCH  
RADIO AND TELEVISION NETWORKS

NATIONAL ENGLISH  
RADIO AND TELEVISION NETWORKS

ACTRA

All anglophone performers,  
writers, researchers, and  
documentalists

(Association of Canadian Television  
and Radio Artists)

4 agreements

- television
- film production - T.V.
- radio production
- writers

TABLE 4

LABOUR STRUCTURE IN THE NFB

|                              |     |                                                                                                                                                                |                                                                                                      |
|------------------------------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| NATIONAL<br>FRENCH - ENGLISH | I.  | <u>INDUSTRIAL UNIONS</u>                                                                                                                                       |                                                                                                      |
|                              |     | <u>SGCT - ONF/NFB</u><br><br>(Syndicat général du cinéma et de la télévision)<br><br>Membership: <u>220</u> and freelancers                                    | All Cinematographers, such as:<br>• Film Directors<br>• Cameramen<br>• Editors<br>• Sound<br>• Light |
| NATIONAL<br>FRENCH - ENGLISH | II. | <u>PROFESSIONAL FEDERATIONS AND ASSOCIATIONS</u>                                                                                                               |                                                                                                      |
|                              |     | <u>AFM</u><br><br>(American Federation of Musicians of the U.S. and Canada)<br><br>Membership: <u>Freelancers</u>                                              | All musicians in Canada                                                                              |
| NATIONAL -<br>ENGLISH        |     | <u>ACTRA</u><br><br>(Association of Canadian Television and Radio Artists)<br><br>1 agreement signed jointly with AMPPLC<br><br>Membership: <u>Freelancers</u> | All anglophone performers, writers, researchers, and documentalists                                  |
|                              |     | <u>UDA</u><br><br>(Union des Artistes)<br><br>No agreement but adheres to the "Règles de base du cinéma"<br><br>Membership: <u>Freelancers</u>                 | All francophone actors, singers, and dancers                                                         |
| NATIONAL -<br>FRENCH         |     |                                                                                                                                                                |                                                                                                      |

In co-productions with the CBC, the CBC agreements prevail.



TABLE 5

LABOUR STRUCTURE - PRIVATE SECTOR FILM AND VIDEOTAPE PRODUCTION

(Excluding Broadcasters)

| <u>PROFESSIONAL ASSOCIATIONS</u> <sup>(a)</sup> | <u>FRENCH</u>      | <u>ENGLISH</u>                                                                                                                                                                                 |
|-------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Performers                                      | UDA                | ACTRA                                                                                                                                                                                          |
| Writers                                         | -                  | ACTRA                                                                                                                                                                                          |
| Musicians                                       | AFM                | AFM                                                                                                                                                                                            |
| Film Directors                                  | -                  | DSC                                                                                                                                                                                            |
| Production Managers                             | SNC <sup>(b)</sup> | DSC                                                                                                                                                                                            |
| Assistant Film Directors                        | SNC                | DSC                                                                                                                                                                                            |
| All other Technical Talents                     | SNC                | NABET <sup>(c)</sup> - Local 700 (Toronto)<br>IATSE - Local 644 (Toronto)<br>IATSE - Local 891 (Vancouver)<br>IATSE - Local 873 (Toronto)<br>IATSE - Local 734 (Montreal)<br>IATSE - Local 873 |

(a) For details on which agreements or codes are applicable to a given production, see Section 4.

(b) SNC supplies technical art crews, particularly for long feature film production.

(c) NABET - Local 700 supplies technical art crews particularly for videotape production, but can crew film production, while IATSE - Local 873 supplies crews particularly for film production but can crew videotape production; both unions claim that their members can generally work on either type of production

FIGURE 1

STRUCTURE OF CCFM

(CANADIAN COUNCIL OF FILM MAKERS)

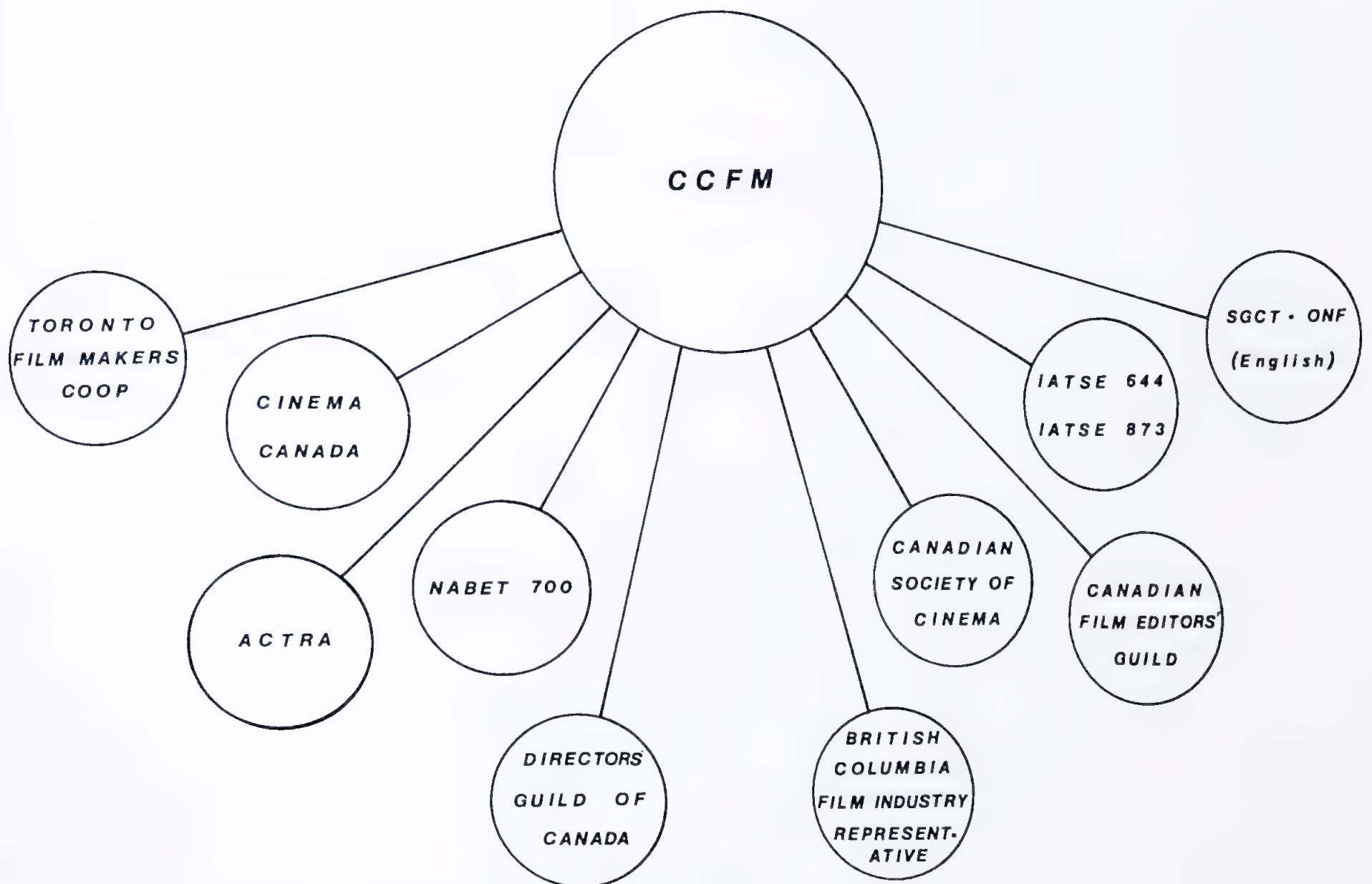
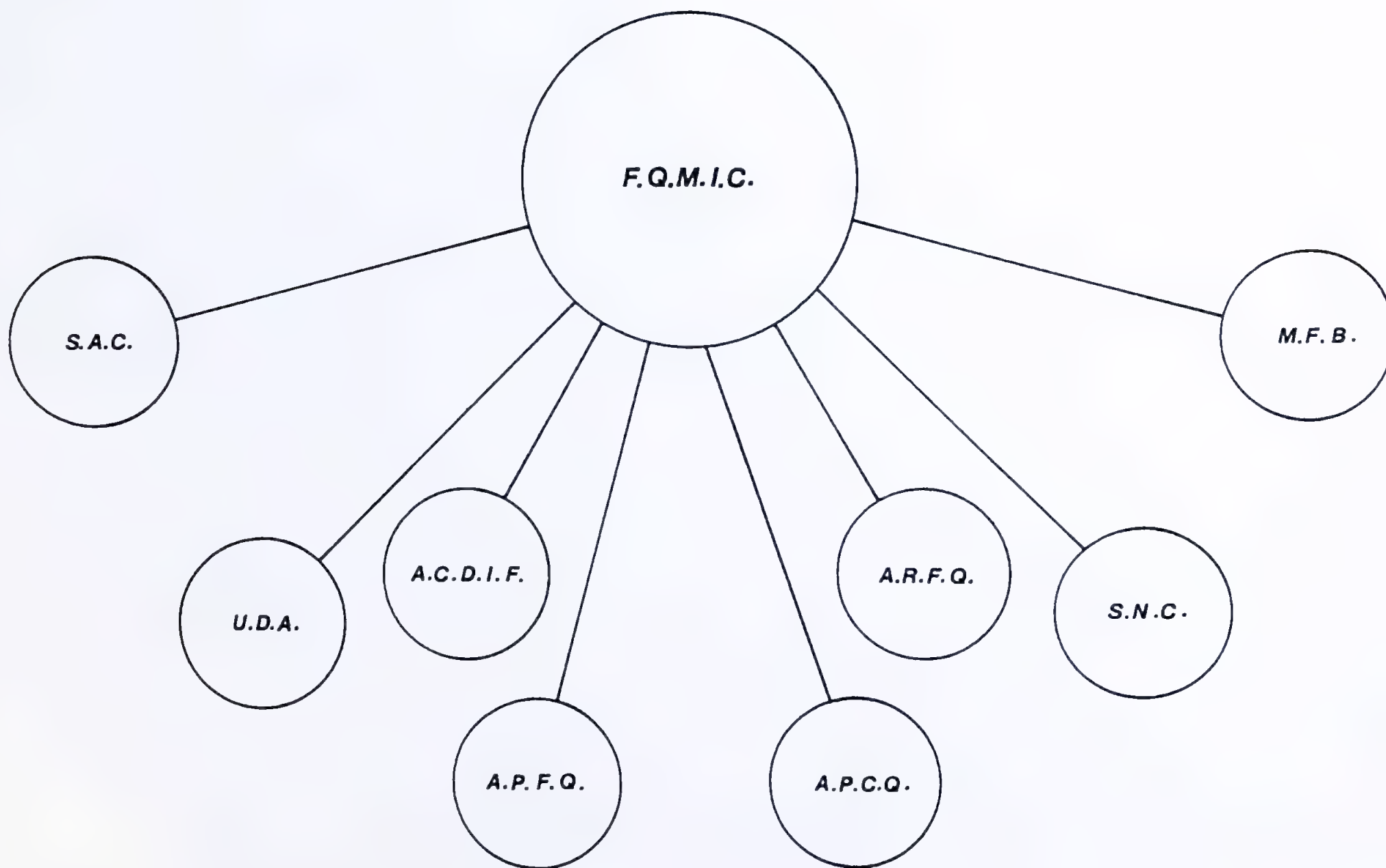




FIGURE 2

STRUCTURE OF FQMIC (1973)

FEDERATION QUEBECOISE DES MEMBRES DE  
L'INDUSTRIE CINAMATHOGRAPHIQUE



It has been mentioned earlier that many of these 8000 people may be working not only in the film-production industry, but also in parallel industries that require similar skills. Moreover, many of them are members of more than one association. These two factors dilute the degree to which the CCFM is representative of the film industry as a whole.

The CCFM regards as its purpose "to keep the public and Government informed and aware of the situation in the film industry in English Canada; to promote the development of an indigenous English Canadian film industry; and to lobby for the conditions which will make an indigenous film industry viable in Canada". "CCFM was formed in March 1973 in response to the growing problems of the film industry. Since that time, CCFM has presented briefs and made representations to all three levels of Government in Canada".(2)

The FQMIC is the equivalent umbrella organization for the French-language sector of the industry; its structure is illustrated in Figure 2 as it was in 1973, which was the most recent information available. Although the FQMIC is still a legal entity, it is experiencing major changes and is largely inoperative. Some member organizations have withdrawn and others have been expelled. The co-ordinating function for which FQMIC was established is at present being performed by ARFQ and SNC.

In addition to these umbrella organizations in the film industry, the Canadian Conference of the Arts has a membership of some 300 arts organizations, as well as individual members. Its objectives are to provide information conducive to the development of the arts in Canada, and to lobby with all levels of government on behalf of artists and arts organizations. Also, a new section has been formed in the Copyright Council to represent the interests of writers in relation to publishers.

#### 4.3 The Employers

There is a multiplicity of employers or engagers of freelancers in both the public and the private sectors of television and film production.

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(2) Canadian Film Digest, 1976 Year Book, pp. 161.



The relationships between the employers and the labour force in each of the two industries are shown in Table 6.

The following list represents an attempt to identify all the possible employers or engagers of creative and technical staff in the film, broadcasting, and related industries:

NFB

CBC - television

- radio

Provincial agencies - Ontario Educational Communications  
Authority (OECA)

- *Radio Québec*

- Others

Private Broadcasters - television

- radio

Cable television

Private production sector - film

- videotape

Theatres

Advertising agencies

Schools, colleges, universities

Industrial and commercial corporations

Hotels (floorshows, etc.)

Professional and public-interest associations

Arts centres (impresarios, performers, technicians)

Publishers

Recording industry

Private occasions (weddings, parties, etc.)

TABLE 6

EMPLOYERS OF LABOUR BY INDUSTRY

| <u>INDUSTRY</u> | <u>EMPLOYERS/ENGAGERS</u> | <u>LABOUR FORCE</u>  |
|-----------------|---------------------------|----------------------|
| FILM            | (                         | ( Creative talents   |
|                 | (                         | ( mostly freelancers |
|                 | ( Public                  | ( some staff         |
|                 | (                         | (                    |
|                 | ( e.g., NFB               | ( Technical talents  |
|                 | (                         | (                    |
|                 | (                         | ( staff supplemented |
|                 | (                         | ( with freelancers   |
|                 | (                         | (                    |
|                 | (                         | (                    |
| TELEVISION      | (                         | ( Creative talents   |
|                 | ( Private                 | ( freelancers        |
|                 | ( e.g., Projex            | (                    |
|                 | ( Films                   | (                    |
|                 | (                         | ( Technical talents  |
|                 | ( Quadrant                | (                    |
|                 | ( Films                   | ( mostly freelancers |
|                 | (                         | (                    |
|                 | (                         | (                    |
|                 | (                         | (                    |
|                 | (                         | ( Creative talents   |
|                 | ( Public                  | ( mostly freelancers |
|                 | (                         | (                    |
|                 | ( e.g., CBC               | (                    |
|                 | ( OECA                    | ( Technical talents  |
|                 | (                         | (                    |
|                 | (                         | ( staff supplemented |
|                 | (                         | ( with freelancers   |
|                 | (                         | (                    |
|                 | (                         | (                    |
|                 | (                         | ( Creative talents   |
|                 | ( Private                 | ( mostly freelancers |
|                 | (                         | (                    |
|                 | ( e.g., CTV               | (                    |
|                 | ( TVA                     | ( Technical talents  |
|                 | (                         | (                    |
|                 | (                         | ( staff supplemented |
|                 | (                         | ( with freelancers   |
|                 | (                         | (                    |
|                 | (                         | (                    |

(Source: Special tabulation)



## 5. PERMANENT STAFF AND FREELANCERS

Time available did not permit an extensive study of the distribution of permanent staff and freelancers in the private sector, and attention was accordingly addressed to the CBC and the NFB. These two federal agencies and the private sector of the broadcasting industry are the largest employers of permanent technical staff. But, as shown in Table 7, they also spend substantial amounts for the services of freelancers.

The geographical and union distribution of CBC staff is shown in Table 8. The numbers of staff employed in different categories by the NFB are shown in Table 9.

It is estimated that there are over 40,000 individuals freelancing in the fields of creative and technical skills; about 39,000 of these are unionized, and their distribution by category is shown in Table 10. The graphical illustration in Figure 3 indicates the interchangeability of occupations (writer/director; director/cameraman); the categorization of skills by various unions; multiple membership of individuals in unions representing different categories of skills; the overlap between the film and broadcasting industries; and the interaction between permanent employees and freelancers, the unions and professional associations, and the employers.

TABLE 7

EMPLOYMENT OF FREELANCERS - CBC AND NFB - SELECTED YEARS

CBC - Talent Budget - 1975-76

|                                   |                |
|-----------------------------------|----------------|
| Musicians                         | : \$ 6,936,000 |
| Actors, writers, performers       | : 15,039,000   |
| Other actors, writers, performers | : 8,391,000    |
| Royalty payments                  | : 1,335,000    |
|                                   | <hr/>          |
|                                   | \$31,701,000   |
|                                   | <hr/>          |

This total represents about 11% of the CBC operating budget; a further 6% of the operating budget is allocated to commissioned productions and the acquisition of film rights.

NFB - Payments to Freelancers - 1973-74

|                              |              |
|------------------------------|--------------|
| English-language productions | : \$ 973,000 |
| French-language productions  | : 1,502,161  |
|                              | <hr/>        |
|                              | \$ 2,475,161 |
|                              | <hr/>        |

(Sources: CBC Annual Report, 1975-76;  
and NFB)



TABLE 8  
CBC STAFF DISTRIBUTION AS AT SEPTEMBER 30, 1975  
(Source: CBC)

38

| DIVISIONS<br>REGIONS<br>LOCATIONS |                |      | CUPE  |            | NABET     |                         |          |                | THE NEW GUILD | SGCT/CNTU |                        | PRODUCERS |            |          | CUPE          |           |           |      | OTHER CONTRACT | NO AFFILIATION | TOTAL |
|-----------------------------------|----------------|------|-------|------------|-----------|-------------------------|----------|----------------|---------------|-----------|------------------------|-----------|------------|----------|---------------|-----------|-----------|------|----------------|----------------|-------|
|                                   |                |      | O & P | ANNOUNCERS | TECHNICAL | BUILDING<br>TRADE GROUP | JANITORS | ANN. OPERATORS |               | NEWS      | ELEVATORS<br>OPERATORS | RADIO     | TELEVISION | CONTRACT | TV PRODUCTION | DESIGNERS | CAMERAMEN | SEIU |                |                |       |
|                                   |                |      |       |            |           |                         |          |                |               |           |                        |           |            |          |               |           |           |      |                |                |       |
| NEWFOUNDLAND                      | ST. JOHN'S     | 54   | 17    | 74         |           | 5                       |          | 12             |               |           | 5                      | 7         |            | 28       | 2             | 5         |           |      |                | 209            |       |
|                                   | CORNER BROOK   | 8    |       | 9          |           | 1                       | 11       | 4              |               |           |                        | 3         |            | 5        |               |           |           |      |                | 41             |       |
|                                   | GANDER         |      |       |            |           |                         | 3        |                |               |           |                        |           |            |          |               |           |           | 1    |                | 4              |       |
|                                   | GRAND FALLS    |      |       |            |           |                         | 3        |                |               |           |                        |           |            |          |               |           |           | 1    |                | 4              |       |
|                                   | HAPPY VALLEY   | 1    |       |            |           |                         | 6        |                |               |           |                        |           |            |          |               |           |           |      |                | 7              |       |
|                                   | GOOSE BAY      | 1    |       |            |           |                         | 5        |                |               |           |                        | 1         |            |          |               |           |           |      |                | 7              |       |
|                                   | LABRADOR CITY  |      |       | 2          |           |                         | 4        |                |               |           |                        |           |            |          |               |           |           |      |                | 6              |       |
| MARITIMES                         | HALIFAX        | 71   | 12    | 108        | 2         |                         |          | 16             |               |           | 11                     | 11        | 2          | 60       | 7             | 5         |           |      |                | 305            |       |
|                                   | SACKVILLE      |      |       |            |           |                         |          |                |               |           |                        |           |            |          |               |           |           |      |                |                |       |
|                                   | SYDNEY         | 6    |       | 15         | 1         |                         | 5        | 4              |               |           | 2                      | 2         |            | 2        |               |           |           |      |                | 37             |       |
|                                   | MONCTON        | 14   |       | 31         | 2         |                         | 12       | 13             |               |           | 5                      | 4         |            | 14       | 2             |           |           |      |                | 97             |       |
|                                   | FREDERICTON    | 4    | 2     | 9          | 1         |                         | 6        | 5              |               |           | 1                      |           |            |          |               |           |           |      |                | 28             |       |
|                                   | CHARLOTTETOWN  | 7    | 3     | 13         |           |                         |          | 3              |               |           |                        | 1         |            | 4        |               |           |           |      |                | 31             |       |
| PRAIRIES                          | WINNIPEG       | 80   | 20    | 161        | 6         |                         |          | 17             |               |           | 8                      | 10        | 6          | 68       | 9             | 6         |           |      |                | 391            |       |
|                                   | FLIN FLON      |      |       | 4          |           |                         |          |                |               |           |                        |           |            |          |               |           |           |      |                | 4              |       |
|                                   | REGINA         | 9    | 1     | 12         |           |                         | 7        | 5              |               |           | 2                      | 1         | 1          | 2        |               |           |           |      |                | 40             |       |
|                                   | MOOSE JAW      | 7    |       | 18         |           |                         | 1        | 3              |               |           |                        |           | 3          | 7        |               |           |           |      |                | 39             |       |
|                                   | SASKATOON      | 8    |       | 11         |           |                         | 2        | 4              |               |           |                        | 2         |            | 5        |               |           |           |      |                | 32             |       |
| ALBERTA                           | EDMONTON       | 45   | 9     | 84         | 4         |                         |          | 14             |               |           | 5                      | 9         | 3          | 32       | 4             | 5         |           |      |                | 214            |       |
|                                   | CALGARY        | 29   | 9     | 43         | 1         |                         |          | 9              |               |           | 4                      |           | 4          | 11       | 1             | 1         |           |      |                | 112            |       |
|                                   | GRANDE PRAIRIE |      |       | 3          |           |                         |          |                |               |           |                        |           |            |          |               |           |           |      |                | 3              |       |
| BRITISH COLUMBIA                  | VANCOUVER      | 94   | 19    | 159        | 4         |                         |          | 20             |               |           | 11                     | 13        | 10         | 88       | 11            | 5         |           |      |                | 434            |       |
|                                   | PRINCE RUPERT  | 2    |       | 2          |           |                         | 4        | 1              |               |           |                        |           |            |          |               |           |           | 1    |                | 10             |       |
|                                   | NELSON         |      |       | 6          |           |                         |          |                |               |           |                        |           |            |          |               |           |           |      |                | 6              |       |
| SUB-TOTAL ESD                     |                | 1033 | 162   | 1324       | 40        | 6                       | 77       | 263            | 24            |           | 120                    | 175       | 36         | 896      | 98            | 44        | 51        | 14   | 4              | 4367           |       |
| GRAND TOTAL                       |                | 1879 | 290   | 2281       | 105       | 6                       | 88       | 358            | 127           | 4         | 220                    | 342       | 42         | 1651     | 209           | 68        | 54        | 21   | 4              | 7749           |       |

TABLE 8 (Con't)

**CBC STAFF DISTRIBUTION AS AT SEPTEMBER 30, 1975**

37

(Source: CBC)

[illegible]



TABLE 9

NFB - PRODUCTION LABOUR FORCE - 15 NOVEMBER 1975

| <u>TITLE</u>        | <u>FRENCH</u> | <u>ENGLISH</u> | <u>TOTAL</u> |
|---------------------|---------------|----------------|--------------|
| Film Director       | 31            | 47             | 78           |
| Cameraman           | 11            | 10             | 21           |
| Assistant Cameraman | 4             | 5              | 9            |
| Editor (Picture)    | 3             | 12             | 15           |
| Editor (Sound)      | 2             | 9              | 11           |
| Composer            | 1             | 1              | 2            |
| Executive Producer  | 4             | 7              | 11           |
| Producer            | 9             | 17             | 26           |
| Production Manager  | 3             | 6              | 9            |
| Administration      | 7             | 13             | 20           |
| Sound Recordist     | 7             | 1              | 8            |
| Cameraman (title)   | 2             | 5              | 7            |
| Lighting Technician | 2             | 1              | 3            |
| GRAND TOTAL         | 86            | 134            | 220          |

(Source: NFB)

TABLE 10

NUMBERS OF FREELANCERS

| TITLE                    | FRENCH                | ENGLISH | TOTAL   |
|--------------------------|-----------------------|---------|---------|
| <u>Creative Talents</u>  |                       |         |         |
| Performers               | 1,684                 | 3,889   | 5,573   |
| Writers                  | 189 <sup>(1)</sup>    | 1,100   | 1,289   |
| Musicians                | 31,000 <sup>(2)</sup> |         | 31,000  |
| Film Directors           | 77                    | 124     | 201     |
| <u>Technical Talents</u> | 350                   | 657     | 1,007   |
| GRAND TOTAL              |                       |         | 39,070* |

\* An estimated additional 1000 non-unionized freelancers.

(1) See details under 6.2.

(2) The majority of those earn their living in other industries such as hotels, bars, nightclubs - all details under 6.3.

(Source: Special tabulation)

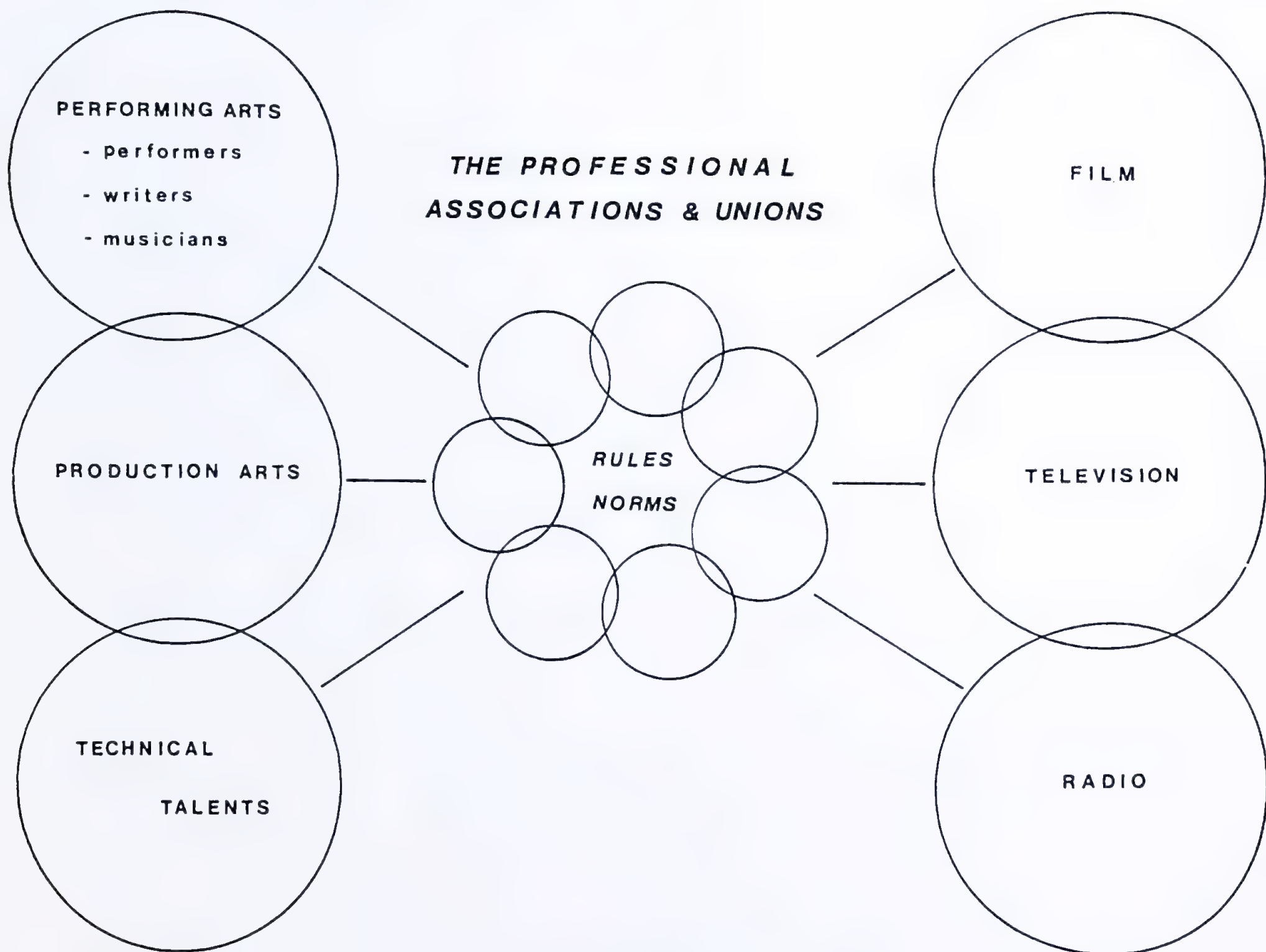


FIGURE 3

OVERALL STRUCTURE OF EMPLOYMENT IN THE  
FILM AND BROADCASTING INDUSTRIES

**THE LABOUR FORCE**

**THE EMPLOYERS/ENGAGERS**



**NOTE: Not all film productions have unionized technical crews**

## 6. EMPLOYMENT PROFILES

In this section, profiles of employment in the film-production industry are presented for performers, writers, musicians, directors, and technical personnel.

### 6.1 Performers

#### Organization Structure

Performers in Canada are organized into three separate organizations, all of which are members of the Canadian Labour Congress; they are:

- *Union des artistes* (UDA), for francophones;
- Association of Canadian Television and Radio Artists (ACTRA), for anglophones; and
- Actors' Equity Association, representing anglophone live-theatre performers.

Attention in this study has been concentrated on UDA and ACTRA. UDA, established in 1937 under Part III of the Quebec Companies Act, has its headquarters in Montreal and an office in Quebec City. ACTRA began its activities in Toronto in the early 1940s; the national office is in Toronto, and there are a total of eight other offices located in Vancouver, Calgary, Edmonton, Winnipeg, Ottawa, Montreal, Halifax, and St. John's. The 'ACTRA Insurance and Retirement Plan' has a separate office in Toronto. Both groups represent Canadian performers in the broadcasting, film, and recording industries. Francophone live-theatre performers are also represented by UDA.

UDA regards itself as a professional union, with the objective of studying, defending, and developing the economic, social, and moral interests of its members. The ACTRA policy is to secure the best conditions of work and remuneration for its members, and to negotiate agreements that protect the membership while generating work opportunities.

In Ontario, artists and educators have formed the Association of Artists and Educators, comprising the Ontario Confederation of University Faculty Federation Associations, the Ontario Teachers' Association, and



ACTRA (which acts as agent for the Association). Similar bodies may be established in every province that has educational television. ACTRA is also affiliated with the International Federation of Actors.

Altogether there are 17 sets of rules governing the employment or engagement of performers, of which 14 are applicable to television programs and films. These sets of rules comprise 13 agreements (5 for francophones and 8 for anglophones) and 4 codes (3 for francophones and 1 for anglophones). Separate agreements are negotiated with television stations as engagers, while agreements or codes exist for groups of engagers. Agreements between the performers' unions and television stations include provisions governing live programs and programs recorded by any means, which are also applicable to film produced by the broadcaster, co-productions, and productions commissioned to the private sector. As has been mentioned, the CBC agreements apply to programs produced in whole or in part by the private sector. The following list of agreements and codes indicates the complexity of their applicability to the same groups of workers doing the same kind of work:

UDA has agreements with:

|                                                         |                                      |
|---------------------------------------------------------|--------------------------------------|
| CBC French Network                                      | - television and film<br>- radio     |
| <i>Office de la Radio-télé-<br/>diffusion du Québec</i> | - educational television<br>and film |
| <i>Télé-Métropole, Inc.</i>                             | - television and film                |
| <i>Association des Annonceurs<br/>du Canada</i>         | - commercials                        |

UDA has issued the following codes:

|                                                                               |                                                     |
|-------------------------------------------------------------------------------|-----------------------------------------------------|
| <i>Règles de Scène, Association<br/>des Directeurs de Théâtre</i>             | - live theatre                                      |
| <i>Règles de Cinéma ou de<br/>l'Enregistrement (1973),<br/>film producers</i> | - film                                              |
| <i>Règles de doublage,<br/>other engagers</i>                                 | - dubbing, post-synchronization,<br>narration, etc. |

UDA is at present negotiating with two of the television stations that form part of the TVA network, and other negotiations are in progress. An important objective is to obtain from engagers a guaranteed annual amount of money for performers, as has been agreed with the CBC.

ACTRA has agreements with:

|                                                                                                                |                                   |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------|
| CBC English Network                                                                                            | - television<br>- radio<br>- film |
| CTV Television Network                                                                                         | - television and film             |
| Ontario Educational Communications Authority (3)                                                               | - television and film             |
| Association of Motion Picture (4) Producers and Laboratories of Canada, and NFB                                | - film                            |
| Joint Broadcast Committee of the Institute of Canadian Advertising and the Association of Canadian Advertisers | - commercials                     |

ACTRA has issued one code:

Code of Fees and Conditions for Freelance Performers in Audio Recordings (including sound-tracks; voice-over narration; commentary for closed-circuit TV or cable TV; or any sound recording associated with audio-visual use).

All groups and organizations that make use of the services of members of ACTRA or UDA could eventually be subjected to negotiated agreements.

It is evident that the agreement or code applied to a particular group of workers depends on who is employing or engaging them, and on the

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(3) Through the Association of Artists and Educators, for which ACTRA is the agent.

(4) AMMPPLC changed its name to the Canadian Film and Television Association (CFTA) in 1975.



category of product, rather than on the kind of work they are doing. It would be beyond the scope of this study to make an analysis of all the ramifications of this complex of agreements and codes, and of the difficulties of interpretation.

Availability of Performers

ACTRA and UDA list, between them, a total of 5790 members, of whom 5573 are governed by the 17 agreements or codes listed in the preceding Section (5) Table 11 shows the composition of this membership.

TABLE 11

ACTRA AND UDA MEMBERSHIP - 1975

|                 | <u>ACTRA(6)</u> | <u>UDA</u>   | <u>TOTAL</u> |
|-----------------|-----------------|--------------|--------------|
| Annual members  | 3,889           | 1,684        | 5,573        |
| Life members    | 122             | 18           | 140          |
| Retired members | <u>-</u>        | <u>77</u>    | <u>77</u>    |
| Total           | <u>4,011</u>    | <u>1,779</u> | <u>5,790</u> |

(Source: ACTRA and UDA)

No reliable data are available on multiple membership. It is believed, however, that some members of UDA are also members of one or more of the following: SAC, ACTRA, *Fédération professionnelle des Journalistes du Québec* (FPJQ), *La Guilde des musiciens de Montréal*, *Association des compositeurs, auteurs et éditeurs du Canada* (CAPAC), and other organizations. In addition to the ACTRA members who are also members of UDA, some 800 to 900 also belong to Actors' Equity Association, while many are listed as both performers and writers, or have membership in other organizations. A very rough estimate is that 20% to 30% of ACTRA and UDA members are members of two or more groups.

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(5) Not all members of ACTRA and UDA are necessarily performers.

(6) Writers who are additional members of ACTRA will be described in 6.2

The geographical distribution of UDA members shows a heavy concentration of 90% in Montreal, 6% in Quebec City, 3% in Ottawa, and 1% elsewhere. A large proportion of members are natives of Montreal. Some 25% to 30% of the members are over 50 years old. The geographical distribution of ACTRA members is shown in Table 12.

TABLE 12<sup>(7)</sup>

ACTRA MEMBERSHIP - GEOGRAPHICAL DISTRIBUTION - OCTOBER 1975

|              |       |       |
|--------------|-------|-------|
| Vancouver    | 9.6%  | 478   |
| Calgary      | 2.2%  | 112   |
| Edmonton     | 3.0%  | 152   |
| Saskatchewan | 1.4%  | 74    |
| Winnipeg     | 4.7%  | 232   |
| Toronto      | 56.9% | 2,838 |
| Ottawa       | 3.9%  | 194   |
| Montreal     | 12.5% | 621   |
| Halifax      | 3.3%  | 161   |
| Newfoundland | 2.5%  | 127   |

(Source: ACTRA)

The flow of performing talent to Toronto and Montreal seems to continue unabated, despite pressures for regionalization of the performing arts. The proportion of older members in ACTRA is decreasing.

In both ACTRA and UDA, classification by type of work is based on the member's own description; many are versatile and list several types of work, but a member is listed only under the first, however many others are added. The breakdown of the UDA membership by type of work is shown in Table 13. Since the markets for anglophone and francophone performers are very similar in composition, the UDA classification is assumed to be representative of both groups.

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(7) The total includes performers and writers; the total is therefore different from that in Table 11.



TABLE 13

UDA MEMBERSHIP - CLASSIFICATION BY TYPE OF WORK - 1975

| <u>Type of Work</u> |                      | <u>Number</u> |       |       |
|---------------------|----------------------|---------------|-------|-------|
| 1.                  | Host or Commentator  | 133           |       |       |
| 2.                  | Announcer (female)   | 81            |       |       |
| 3.                  | Announcer (male)     | 84            | 298   | 17.7% |
| 4.                  | Baritone             | 32            |       |       |
| 5.                  | Bass                 | 22            |       |       |
| 6.                  | Chorist              | 54            |       |       |
| 7.                  | Contralto            | 6             |       |       |
| 8.                  | Mezzo-soprano        | 23            |       |       |
| 9.                  | Soprano              | 59            |       |       |
| 10.                 | Tenor                | 44            | 240   | 14.3% |
| 11.                 | Singer (male)        | 100           |       |       |
| 12.                 | Singer (female)      | 109           | 209   | 12.4% |
| 13.                 | Actor                | 400           |       |       |
| 14.                 | Actress              | 388           | 788   | 46.8% |
| 15.                 | Dancer               | 40            |       |       |
| 16.                 | Choreographer        | 9             |       |       |
| 17.                 | Puppeteer            | 8             |       |       |
| 18.                 | Model                | 83            |       |       |
| 19.                 | Stunt                | 7             |       |       |
| 20.                 | Master of Ceremonies | 2             | 149   | 8.8%  |
| TOTAL               |                      |               | 1,684 |       |

(Source: Special tabulation)

### Access to Employment

Anyone wanting to work as a performer in the film, broadcasting, or theatre industries in Canada must first get a work permit, to comply with the agreements between the unions and the engagers. The actual performance given is the effective test of competence; a work permit merely notifies professional status. To become a member of ACTRA, a performer must have had at least six work permits within ACTRA jurisdiction in a 24-month period. To become a member of UDA, a performer must have had 20 work permits in a 30-month period, show proof of having worked as a performer for a period of at least 24 months, or have been a member of a variety-artists' union for at least the past 24 months.

### Training

Most Canadian performers learned their trade as amateurs, few having attended drama or music schools. This is generally more true for anglophone than for francophone performers, because most of the troupes and groups in Quebec are professional, and a work permit is required to perform with them.

For actors, the most important training schools, both in Montreal, are the National Theatre School and the *Conservatoire d'Art dramatique*; facilities at both are limited, and applicants for entry are screened for evidence of talent. English-language theatre in Canada has had a tradition of flourishing amateur troupes which have served as a training ground, but not all have survived the remarkable growth of professional companies that has occurred in the past ten to fifteen years; in addition to Stratford, there are now professional English-language theatre companies of high quality in Halifax, Ottawa, Toronto, Winnipeg, Edmonton, Calgary, and Vancouver. French-language companies of high quality, particularly the *Théâtre du Nouveau Monde* and *Le Rideau Vert* exist in Montreal, Quebec City, and Ottawa. The facilities of the National Theatre School and the *Conservatoire d'Art dramatique* are inadequate to provide the stream of recruits necessary for all these professional companies. In Toronto, however, several small professional theatre companies have recently sprung up, and serve as additional training grounds; the trend seems to be spreading across the country.



It should be noted that the National Theatre School and the *Conservatoire* give courses in all aspects of theatre, mostly for actors but also for designers and technicians. Some universities and colleges offer courses in theatre or dramatic arts, but only as minor subjects in the curriculum; most students are primarily interested in the creative aspects of theatre, and these courses have little impact on the market for performers. In 1975, UDA, collaborating with some Montreal studios, inaugurated a course in post-synchronization, a type of work for which actors are usually best suited; out of 160 UDA members who attended the course, 20 have found work in this field, and 60 showed some ability.

In the time available, it has not been possible to cover all the Canadian facilities for the training of the other categories of performers. There are numerous schools and conservatories, and many private teachers. It may be mentioned, also, that the National Ballet School in Toronto and *Les Grands Ballets Canadiens* in Montreal are residential and offer academic education, while non-residential, non-academic schools are also operated in connection with the Royal Winnipeg Ballet. It is evident that, having regard to the fact that almost half the performers in Canada list themselves as actors or actresses, training for performers is by far the least adequate in the field of drama.

#### Mobility

Canadian performers usually move from one engager to another, rather than from one type of work to another. It must be emphasized, however, that in the film and broadcasting industries there are rapid changes in the types of product, which depend, for instance, on trends, fashions, or current events. These changes require new categories of performers who are mostly new recruits, since performers in the traditional categories tend to continue with their accustomed type of work. Only a few years ago, actors and actresses represented a large majority of performers, but now total less than 50%. The production of commercials for television and radio has recently been stimulated by the Canadian-content rules introduced by the Canadian Radio-Television Commission (CRTC), and has an enormous appetite for new faces and diverse skills, thus providing opportunities for people who have no recognizable talent as normal performers to enter the performer category through this medium.

Another new development is the increase in the use, as 'performers', of people required for their knowledge and competence in quite different fields. Today, about 10% of those who 'perform' are drawn from other professions and occupations, such as lawyers, doctors, scientists, historians, priests, film producers, advertising men and women, editors, decorators and designers, culinary experts, sports personalities and physical training experts, teachers of all kinds, company directors, and businessmen. Very few of them can be said to have embarked on a new career, since most regard their work in broadcasting as a sort of 'moonlighting' that affords them additional income.

It is estimated that some 40% to 50% of the members of ACTRA and UDA fall into these classes. For the purpose of this study, attention has been concentrated on openings for performers in film production.

Opportunities to appear in film products are quite limited for such classes of performer as concert or 'pop' singers, chorists, dancers, choreographers, stunt people, clowns, mimes, puppeteers, or models, all of whom are mobile mainly outside the film industry. The remaining categories, nearly half actors and actresses, are more versatile and therefore more mobile, since their talents can be used in film, television, radio, dubbing, post-synchronization, narration, advertising, or live theatre in varying degrees. They move frequently from one engager to another, doing the same type of work, and many have been able to adapt to film. It is estimated that 1600 to 1900 anglophone performers and 700 to 800 francophones are mobile in this kind of way.

This high level of mobility makes it useless to attempt to estimate geographical distribution, although it is obvious that the largest numbers and the widest range of talents are concentrated in Montreal and Toronto. Performers will, in that nature of their art, move to wherever rewarding work is available, and do not always see the rewards in financial terms alone. Large cities and foreign countries are essential to achieving recognition by wider audiences, which is an important objective for most performers in all categories.



### Utilization and Income of Performers

The annual income of performers is both variable and uncertain, employment depending more on trends and fashions than on the personality and skill of the performer. While a lucky few may earn \$100,000 a year or more, the general level of income is low, and virtually all performers experience periods of unemployment, known in the theatre as 'resting', which may extend over several months. An average of \$3,000 a year has been publicized, but this figure is distorted by the fees of those who, while classed as professional performers under union agreements, do not perform as a career but supplement their income from their main employment by appearing as extras or performing infrequently; some 40% of performers are in this category. It is believed, however, that some 10% to 15% of 'career performers' may be at or below the \$3,000 level, either because they are not very talented, or because their skill is so specialized as to be infrequently in demand.(8)

No precise and reliable data exist, but the following approximations relate to 3880 members of ACTRA:

|                     |       |
|---------------------|-------|
| \$3,000 or less     | 2,600 |
| \$8,500 to \$10,000 | 1,250 |
| \$13,000 or more    | 30    |

If the 'occasional performers' are disregarded, it may be concluded that the average annual income for 'career performers' is about \$8,700. No data are available with regard to the proportion of income earned from film productions.

Before the start of any production, the general rules for each performer are established by the relevant agreement or code. Categorization by function, group, type of program or film, broadcasting zone, broadcasting and distribution rights, and so on, varies widely from one agreement to another, and has a direct bearing on the fees to be paid to each performer; some idea of the number of categories is given by the following examples:

- 
- (8) Performers are eligible to participate in a scheme operated by their respective union which provides a very comprehensive range of security benefits. The dues for these schemes are usually paid by the engager as a percentage of the performer's fee; the CBC, for instance, pays 11% on each contract.

| <u>UDA (francophone)</u> |   | <u>ACTRA (anglophone)</u> |    |
|--------------------------|---|---------------------------|----|
| CBC-TV                   | 9 | OECA                      | 14 |
| CBC-Film                 | 5 | Global                    | 6  |
| Film Code                | 5 | AMPPLC-NFB                | 6  |
| ORTQ                     | 4 | CTV                       | 6  |

No category necessarily includes the same type of performers. As well, normative and monetary clauses that directly affect the performer's fees also vary from one agreement to another.

Working from this multiplicity of agreements and codes, it appears that the average daily fee may vary from a minimum of \$35.00 for an extra to a minimum of \$140.00 for a principal. The basic fee for any performer working in television or film may be increased by from 100% to 400%. For a television commercial, a basic fee may be increased by from 100% to 500%, depending on the frequency of showing. The variations from one agreement or category of performer or engager to another are virtually endless. There are also special provisions in agreements or codes governing conditions for co-productions between two or more Canadian producers, or between Canadian and foreign producers. While all Canadian performers are subject to the rules and conditions of the agreements between the unions and the engagers, it is open to any performer to negotiate for higher fees or more favourable conditions in any particular production. Thus, almost every contract for performance must be treated as a case by itself, and a performer's income will be affected by frequency and length of performances, and by the content of the film or television products in which the performer appears.

Table 14 shows that, out of total payments to Canadian performers in 1974 amounting to \$26.8 million, \$19.6 million (73%) derived from the CBC radio and television networks and the advertising agencies. Tables 15 and 16 show the breakdown, for francophones and anglophones respectively, by types of film or television product.

There is a general impression in the film and broadcasting production industries that there is not enough work for a substantial proportion of



TABLE 14  
FEEES PAID TO UDA AND ACTRA MEMBERS BY THE CBC AND ADVERTISING AGENCIES - 1974

| Engager                 | UDA<br>Members* | ACTRA        |                   |              | GRAND<br>TOTAL | % of all<br>Fees |
|-------------------------|-----------------|--------------|-------------------|--------------|----------------|------------------|
|                         |                 | Members**    | Permit<br>Holders | Total        |                |                  |
| CBC                     | \$3,510,704     | \$5,997,612  | \$ 805,655        | \$6,803,567  | \$10,314,271   | 38.4             |
| Advertising<br>Agencies | 3,535,366       | 4,846,852    | 1,000,780         | 5,847,632    | 9,382,998      | 35.0             |
| TOTAL                   | \$7,046,070     | \$10,844,464 | \$1,806,435       | \$12,561,199 | \$19,697,269   | 73.4             |

\* UDA (francophone) - 1,684 listed members, including work-permit holders.

\*\* ACTRA (anglophone) - 3,889 listed members, excluding writers.

(Source: UDA and ACTRA.)

TABLE 15

UDA\* - FEES PAID TO FRANCOPHONE PERFORMERS BY PRODUCTION SECTOR - 1974

| <u>FILM (a)</u>                            |            |       |                    |
|--------------------------------------------|------------|-------|--------------------|
| Public and Private                         | \$ 770,526 | 7.3%  |                    |
| Dubbing                                    | 223,660    | 2.1%  |                    |
| Narration                                  | 61,504     | 0.6%  | \$ 1,055,690 10.0% |
| <u>TELEVISION (b)</u>                      |            |       |                    |
| Public                                     | 2,976,043  | 28.3% |                    |
| Private                                    | 1,151,310  | 10.9% | 4,127,353 39.2%    |
| <u>RADIO</u>                               |            |       |                    |
| Public                                     | 534,661    | 5.1%  |                    |
| Private                                    | 62,643     | 0.6%  | 597,304 5.7%       |
| <u>THEATRE</u>                             |            |       |                    |
|                                            |            |       | 1,128,453 10.7%    |
| <u>ADVERTISING (c)</u>                     |            |       |                    |
|                                            |            |       | 3,535,366 33.6%    |
| <u>RECORDS</u>                             |            |       |                    |
|                                            |            |       | 9,075 0.1%         |
| <u>MISCELLANEOUS</u>                       |            |       |                    |
|                                            |            |       | 71,028 0.7%        |
| * 1,684 members, including permit holders. |            |       |                    |
|                                            |            |       | \$10,524,269       |

(a) WFB, Private Production Houses, film commissioned by CBC and for a minor portion other field of activities.

(b) Figures for educational television not available.

(c) Television and radio.

(Source: UDA)



TABLE 16

## ACTRA\* - FEES PAID TO ANGLOPHONE PERFORMERS BY PRODUCTION SECTOR - 1974

| <u>FILM</u>              | <u>Members</u> | <u>Permit Holders</u> | <u>Total</u> |                  |
|--------------------------|----------------|-----------------------|--------------|------------------|
| National Film Board      | \$ 42,922      | \$ 3,247              | \$ 46,169    |                  |
| Others                   | 929,629        | 246,738               | 1,176,367    | \$1,222,536 7.5% |
| <u>TELEVISION</u>        |                |                       |              |                  |
| Public (including radio) | 5,997,912      | 805,655               | 6,803,567    |                  |
| Private: CTV             | 900,432        | 223,585               |              |                  |
| Independent              | 113,086        | 24,517                |              |                  |
| Private                  | 55,304         | 18,089                |              |                  |
| City TV                  | 12,424         | 664                   |              |                  |
| Global                   | 453,840        | 89,651                | 1,891,592    |                  |
| Educational              | 406,305        | 70,112                | 476,417      | 9,171,576 56.3%  |
| <u>ADVERTISING</u>       |                |                       |              |                  |
|                          | 4,846,852      | 1,000,780             | 5,847,632    | 5,847,632 35.9%  |
| <u>MISCELLANEOUS</u>     |                |                       |              |                  |
|                          | 55,441         | 4,282                 | 59,723       | 59,723 0.3%      |
|                          |                |                       |              |                  |
|                          | \$13,814,147   | \$2,487,320           |              | \$16,301,467     |
|                          |                |                       |              |                  |

\* 3,889 listed members, excluding writers.

NOTE: Fees for theatre performances are handled through Actors Equity, and are not included here.

(Source: ACTRA)

performers, particularly actors and actresses. While this may be so, it appears from this study that many of the performers who are working regularly earn incomes that are well above the Canadian average. It may be, however, that the higher incomes are being earned by performers other than actors and actresses as a result of the present trends in broadcasting.

The talents required in film performances depend very much on a number of aspects such as the script, the category, and distribution constraints. It appears that actors and actresses have greater chances of appearing in long and short feature films, while announcers and narrators find most of their work opportunities in documentaries. The general conclusion is that the available stock of performers is sufficient for the needs of the Canadian film-production industry. No evaluation of quality has been attempted.

## 6.2 Writers

### Organization Structure

In Canada, there are two organizations representing writers in the film and broadcasting industries:

- Association of Canadian Radio and Television Artists (ACTRA) for writers in English, and
- *Société des Auteurs et Compositeurs* (SAC) for writers in French.

Unlike SAC, ACTRA represents performers as well as writers, although separate agreements are negotiated for each group. ACTRA is affiliated with:

- The International Writers Guild, and
- The Affiliation Group, which represents:
  - The Writers Guild of Great Britain,
  - The Writers Guild of America (East and West),
  - The Australian Writers Guild, and
  - ACTRA itself.

SAC was founded in 1948 under Part III of the Quebec Companies Act, and was registered under the Quebec Professional Associations Act in 1966.



In March 1975, SAC established the *Co-opérative des Auteurs Dramatiques Québécois* as a copyright management society, which has concluded reciprocity agreements with foreign writers' associations, and looks after the interests of writers of all classes in French with respect to the provisions of the federal Copyright Act. The *Co-opérative* includes film authors and scenarists, whose rights do not appear to enjoy the protection of the Canadian Copyright Act, as stipulated by Schedule II of the Berne Convention, to which Canada has acceded. Article 14, paragraphs 2 and 3 of the Convention stipulate that:(9)

"Cinematograph productions shall be protected as literary or artistic works if, by the arrangement of the acting form or the combinations of the incidents represented, the author has given the work a personal and original character.

Without prejudice to the rights of the author of the original work, the reproduction by cinematography of a literary, scientific or artistic work shall be protected as an original work."

It appears that there are more provisions for authors' broadcasting rights with regard to film produced for television than for any other category of film, even long feature films for which the American format now prevails in Canada. Usually all the rights are sold to a producer, who may then sell off such separate rights as required for use in movie-theatres and live theatre, television, radio, book publishing, newspaper and magazine publishing, and so on. Some producers attempt to acquire the whole package of authors' rights, but authors would be well advised to limit precisely what the producer may do with the script. The same applies particularly to long feature films, for it often pays an author best to retain the rights to publish a book or do a stage adaptation based on the same material.

The whole subject of copyright is within the purview of the *Commission Canadienne du Droit d'Auteur*. The Copyright Act is notoriously out of date and new legislation has been said to be in the offing for the past fifteen years or more. It is hoped that there will not be another false start. The problems of copyright in broadcast material have been enormously complicated by the use of coaxial cable and even more so by

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(9) Translation from the original.

broadcasting satellites. These aspects have been under examination for six or seven years by UNESCO and some other international bodies. Agreed solutions have not yet been achieved.

Five separate agreements, four for writers in English and one for writers in French, are in force in the film and broadcasting industries in Canada. Four of these agreements govern relations between writers and broadcasting networks or stations, and the fifth relates to the engagers or writers for miscellaneous classes of work in the film and broadcasting industries.

ACTRA has writer agreements with:

- CBC English Networks - radio and television
- CTV Network - television
- Ontario Educational Communications Authority<sup>(10)</sup>  
- television
- Association of Motion Picture Producers and Laboratories of Canada (11) and NFB - freelance writers in feature films, and television drama, series, specials and documentaries.

SAC has a writer agreement with:

- CBC French Networks<sup>(12)</sup> - radio and television.

Negotiations are in progress between SAC and *Télé-Métropole, Inc.* (CFTM-TV and TVA Network). A film agreement, covering all kinds of film for all uses, is in preparation, but SAC is still seeking for a contracting party, since APFQ is unwilling to undertake such negotiations. It is remarkable that there is no agreement between SAC and the NFB with respect to script writers and film authors. It is evident that all the ACTRA and SAC agreements apply mainly to broadcasting requirements, despite some provisions in the Copyright Act and the Berne Convention that apply to film.

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(10) Through the Association of Artists and Educators, for which ACTRA is the agent.

(11) This body changed its name in 1975 to Canadian Film and Television Association (CFTA).

(12) Including the CBC International Service - radio.



### Availability of Writers

In 1975, ACTRA had an estimated 1100 listed members writing in English, and SAC, 189 writing in French. In both bodies, many members choose to list themselves as writers, a title that covers a multitude of occupations. Some are researchers or documentalists for such types of radio or television program as public affairs, variety, or interviews; others contribute by writing sketches, quiz programs, talk inserts, continuity, or questionnaires. Some provide commentaries, art or book reviews, and any other kind of broadcast writing requirements. For many, the nature of their work is akin to that of a journalist.

Many of the ACTRA members who list themselves as writers are also performers, but this is not the situation in SAC. There are, of course, plenty of writers who are not members of ACTRA or SAC and work for educational television authorities, advertising agencies, or the NFB,(13) as members of the permanent staff writing for many different film and broadcasting products, such as documentaries, educational material, or commercials. It should be noted that there are also some freelance writers who, for one reason or another, do not belong to ACTRA or SAC although they are writing for the film and broadcasting industries. When working for organizations that have negotiated agreements with ACTRA or SAC, work permits are required.

No statistics are available, and neither ACTRA nor SAC provided lists of members. It was concluded, from interviews, that possibly 15% of the members of these bodies listed as writers do actually write stories, plays, scripts, or other written material that might take the form of a film for either the television or the theatrical market. It seems that writers tend to specialize in one of three main areas--broadcasting, film, or publishing. So far as anyone can tell from such a meagre background of information, the number of writers available appears to be sufficient to meet demands. There is a widespread impression in the industry, however, that there is a dearth of outstanding Canadian writers. This makes it all the more deplorable that, as was learned from interviews, many scripts, projects, or synopsis ideas that are submitted to producers, including those in the CBC, the NFB, and the private sector, are not seriously considered, or are briefly scanned and returned with a rejection slip. It might be worth

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(13) See Section 6.4.

while to undertake a special study to determine whether there is a scarcity of developed writers, and whether film and broadcast producers are careless in their approach to the material submitted, as well as the criteria used for acceptance or rejection.

### Access to Employment

The first problem for a writer seeking employment in film and broadcasting is in fact to persuade an engager that he can write. There are two distinct aspects of the art of writing, creativity and craftsmanship, and it is not necessary to be a successful novelist or poet to find opportunity for writing work in the film and broadcasting industries; thus the only feasible test of a writer's skill, if he has no published works to his credit, is to give him a try. Once a writer has shown that he can do something useful, he becomes eligible for membership in one or other of the writers' associations. SAC makes no prescription, but ACTRA requires at least two professional engagements in any of the classes of work mentioned in the previous section.

Writers who are not members of ACTRA or SAC may work for engagers who are parties to one or other of the agreements with those bodies, subject to the fees, terms, and conditions stipulated in those agreements. The CBC, for instance, is at liberty to engage non-members so long as the terms of the agreement with ACTRA are respected.

In short, there is no magic door to the film and broadcasting business for writers, for a writer is known only for the quality of his work.

### Training

Success as a film or broadcasting writer does not seem to depend on the level of education attained. Most have at least some university background, particularly in literature, but a minority have only high school level or less. The great majority have taken a script-writing course at some point. But, in the end, all writers learn their trade by doing it. Some enter from other occupations such as journalism. Others may have started writing for live theatre, progressed into radio, and then graduated into television or film, while others again may have had a book or other work published. No statistics are available that could be used as the basis for a detailed analysis.



No matter how successful a writer may have been in other fields, an additional special skill is required in writing material for visual utilization, a creativity that permits the visual expression of an idea, an emotion, or a sentiment through action, facial expression or body language, or silence, since these elements are not always indicated in a script. Thus it may happen that a writer whose work is recognized as very good, or even outstanding, in other media may not himself be capable of transposing his work into visual concepts, or his work may even not be susceptible of such transposal. Again, a writer may have some success in television but be unable to deal effectively with another medium, such as a feature film, or *vice versa*. For these reasons, writers tend to become specialized in meeting particular classes of demand.

It was learned, from interviews, that writers who have this gift of visual conception, even though they may have written for film or television, are often not recognized as such by some producers, engagers in both public and private sectors, or distributors, because the latter do not know how to read such a script. If, therefore, consideration is to be given to some means of developing a talent for visual conception in writers, attention should also be given to means of educating engagers in the art of appreciating the value of scripts.

The CBC English network plans the inauguration of a script-development program, in which ACTRA will collaborate under the terms of the CBC-ACTRA writers' agreement. Otherwise, opportunities for training of this kind are few. Many schools, colleges, and universities offer, as a very minor part of their curricula, courses in such areas as creative writing and script development. It is feared, however, that the fact that so many universities are finding it necessary to introduce remedial courses in reading and writing presages ill for the future quality of writing, for any purpose, in Canada.

### Mobility

As has been mentioned, writers tend to specialize in the areas to which their work is best suited, such as radio, television, film, the stage, journalism, or publishing. There is little mobility between media. The commonest move seems to be from television to film. There is greater

mobility, however, from one engager to another in either the public or the private sector, most writers taking care not to close the doors in either direction. In general, the public sector, especially the CBC, provides better facilities for writing and greater security for writers. Work is only very seldom available in advertising agencies, which generally employ a permanent staff of writers.

The low level of mobility between media may be affected also by the apparent fact that they tend to operate on a 'closed shop' basis. A writer will generally ascend through the hierarchy of the medium to which his talents are best suited. Only the achievement of some noteworthy success may lead to solicitations from engagers in other areas.

#### Utilization and Income

Many successful Canadian writers are commissioned by the CBC, especially to write for television. Nonetheless, although the CBC English and French networks engage a fair number of freelance writers, a very small percentage of all Canadian writers actually write for films or television series. Few are employed in private television and, despite the larger audience, very few indeed have achieved public recognition through this medium, while fees appear to be no more than half, or even less, than those paid by the CBC. The only available data were made available by ACTRA. Some kind of detailed audit would be required for French-language writers, since SAC has no agreements with private television undertakings. There appear to be no writers with 'employee' status in either the public or the private sectors of television.

In educational television, on the other hand, there are few opportunities for freelance writers, although OECA has a special agreement with ACTRA. ORTQ mainly employs in-house writers and outside specialists in other professions, such as scientists, teachers, lawyers, or doctors.

Radio offers little scope for writers, although a few are occasionally engaged by the CBC English and French networks on a freelance basis.

At the NFB, the pattern is different. There is a permanent staff of film directors, and some freelance directors are engaged by the Board;



TABLE 17

FEEES PAID TO WRITERS FOR FILM AND BROADCAST PRODUCTIONS\* - 1974

|                     | Engager              | SAC<br>(French)                 | Engager              | ACTRA<br>(English) |                   | TOTAL<br>(French and<br>English) |
|---------------------|----------------------|---------------------------------|----------------------|--------------------|-------------------|----------------------------------|
|                     |                      |                                 |                      | Members            | Permit<br>Holders |                                  |
| <u>Broadcasting</u> |                      |                                 |                      |                    |                   |                                  |
| Public              | CBC                  | \$1,000,000 <sup>#</sup>        | CBC                  | \$1,453,700        | \$753,282         | \$3,206,982 <sup>#</sup>         |
| Private             | TVA                  | 150,000 <sup>#</sup>            | CTV                  | 1,038              | 15,126 )          | 166,321 <sup>#</sup>             |
|                     |                      |                                 | Global               | NIL                | 157 )             |                                  |
| Educational         | ORTQ                 | N/A                             | OECA                 | 27,760             | 123,554           | 151,314 <sup>+</sup>             |
|                     |                      |                                 |                      |                    |                   |                                  |
| <u>Film</u>         |                      |                                 |                      |                    |                   |                                  |
| Public              | NFB                  | N/A                             | NFB                  |                    | 14,115            | 14,115 <sup>+</sup>              |
| Private             | Private<br>Producers | N/A                             | Private<br>Producers | 10,547             | 16,666            | 27,213 <sup>+</sup>              |
|                     |                      |                                 |                      |                    |                   |                                  |
|                     |                      | <u>\$1,150,000<sup>#+</sup></u> |                      | \$1,493,045        | \$922,900         | \$3,565,945 <sup>#+</sup>        |

\* Figures apply only to members of SAC and members and permit holders in ACTRA, and are therefore only partial in relation to all writers.

# Estimates. + Partial figures only.

(Sources: SAC and ACTRA)

in both cases, they often do the writing for the films they direct. The NFB has no permanent employees classified as 'writers'.

Some film productions are commissioned to the private sector by the public, private, and educational television organizations, and by the NFB; in these cases, the private film producers may engage freelance writers. The volume of film production commissioned from the private sector appears to be quite small. Producers in the private sector also sometimes engage freelance writers for their own film productions, including television series, feature films, and documentaries.

Any analysis of the extent to which freelance writers are used in the film industry would entail a time-consuming survey to ascertain which engagers tend to use them most, and for what categories of film. The results would only give an indication of trends, since practices and fashions are continually changing. As has been mentioned, a certain number of film directors do their own writing; the point is more fully examined in 6.3 below.

In summary, it can be said that, in the film and broadcasting industries, the great majority of writers are freelancers, and their fees and conditions of employment vary widely from one engager to another. The five negotiated agreements covering writers contain a multiplicity and diversity of terms and conditions. Each agreement differs from all the others in such matters as categories of film product, utilization of the writer, and broadcasting and distribution rights. A writer is, of course, free to obtain better terms if he can, and where an engagement is not covered by a negotiated agreement, he negotiates an individual contract. In either case, a writer's bargaining power rests on his reputation and popularity. In these circumstances, it is clearly impossible to estimate an average income for freelance writers engaged for film and broadcast productions. Table 17 gives estimates of fees paid to writers.

### 6.3 The Musicians

#### Organization Structure

Musicians, unlike most other performers, are not organized separately on the basis of the language they use. There were complaints, a few



years ago, that the ceremonies on Parliament Hill on July 1 had been conducted almost entirely in French; one columnist, speaking of the orchestra, commented jokingly, "Not only the French horns played in French--even the English horns played in French". Be that as it may, anglophone and franco-phone musicians in Canada are represented by the American Federation of Musicians of the United States and Canada (AFM). AFM is a member of the Canadian Labour Congress, and an affiliate of AFM International, which is a member of the AFL-CIO in the United States.

AFM was founded in the United States in 1896. In 1901, a group of associations of Canadian musicians (in Toronto, Ottawa, Windsor, Winnipeg and Vancouver) became affiliated with AFM, in which Canadian strength and representation has increased substantially over the years. On a historical note, the first body to represent musicians anywhere in Canada was the Toronto Orchestral Association, founded in 1887.

The national office of AFM is in Toronto, and there are 38 affiliated locals across the country. Each of the locals, which are variously entitled 'guilds' or 'associations', has its own tariff structure for all regional engagements. There are three categories of agreement:

i. 'International Agreements', which are elaborated jointly with the parent body in the United States, cover:(17)

- theatrical commercial films, and
- phonograph recording.

ii. 'National Agreements', which are negotiated by the AFM Canadian national office, cover agreements by:

- the CBC (English and French networks), for television and radio, including the International Service,(18)
- the CTV television network,
- the National Film Board (excluding films made for the Department of National Defence),

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(17) Special rates apply to Canadian documentaries and phonograph recordings.

(18) Private broadcasters not covered by negotiated agreements are required to conform to the CBC agreements.

- educational television authorities, and
  - advertising agencies for television and radio commercials.
- iii. 'Regional Agreements' negotiated independently by each local cover:
- symphony orchestras,
  - engagements for or by:
    - night clubs,
    - theatrical performances (ballet, opera, musicals),
    - dances, dinners, weddings, and
  - other miscellaneous engagements.

Like ACTRA, UDA, SAC or, for that matter, any of the associations that represent freelance performers or technicians, AFM is not federally or provincially certified as a negotiating body, and all negotiations and agreements are made on a voluntary basis. All professional musicians who are members of AFM are freelancers, except for the members of the Vancouver, Calgary, and Atlantic Symphony Orchestras, who have been declared to be 'employees' and are subject to deductions for unemployment insurance, Canada Pension Plan, and income tax from the remuneration they receive from those. When fulfilling other engagements, however, they are treated as freelancers.

#### Availability of Musicians

The AFM International Federation has 360,000 members in North America, of whom some 31,000 listed are Canadians. It is estimated by AFM that approximately 80% of the Canadian members perform only as a hobby or as a source of secondary income; 65% perform only in night clubs, for dances, and so on. It is further estimated that some 6200 Canadian musicians are actually earning a living from music, but that probably half the members, or about 15,500 are competent to do so should the opportunities be available.



Most locals sub-divide their memberships in accordance with the instruments played, but this information is not available at the national level. Some instrumentalists also act as band-leaders, assistant conductors, concert masters, music editors, or music consultants, while some conductors or composers also occasionally perform as instrumentalists. There are about 200 'composers' in Canada but, excluding rock-and-roll and other forms of 'pop' music, the remainder probably number fewer than 100. The AFM does not include composers in its membership, but most qualify as conductors.

In about 27 locals, the membership comprises only musicians who play in night clubs and other regular or casual engagements of that kind. The other 11 locals include musicians of symphony-orchestra calibre, and others engaged in television, radio, or recording. There are some 650 musicians permanently employed by symphony orchestras, and perhaps another 500 who are occasionally engaged part-time. The distribution in individual members is not available, but Table 20 shows the 11 locals that include symphony-orchestra calibre musicians among their members.

TABLE 20

LOCATION OF 11 OUT OF 38 AFM LOCALS IN  
CANADA, AND OF MAJOR SYMPHONY ORCHESTRAS

| <u>Province</u> | <u>City</u> | <u>Orchestra</u> <sup>(19)</sup> |
|-----------------|-------------|----------------------------------|
| Nova Scotia     | Halifax     | Atlantic                         |
| Quebec          | Quebec City | -                                |
|                 | Montreal    | Montreal                         |
|                 | Ottawa      | National Arts Centre             |
|                 | Toronto     | Toronto                          |
|                 | Hamilton    | -                                |
| Manitoba        | Windsor     | -                                |
|                 | Winnipeg    | Winnipeg                         |

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(19) The National Arts Centre Orchestra is not, strictly speaking, a 'symphony orchestra', but is a large baroque orchestra of the same professional status. In addition to the 'major' orchestras listed, there are 'civic symphonies' in Ottawa and a number of other cities across Canada, which include some professional musicians.

Table 20 (cont'd)

| <u>Province</u>  | <u>City</u> | <u>Orchestra</u> |
|------------------|-------------|------------------|
| Alberta          | Edmonton    | Edmonton         |
|                  | Calgary     | Calgary          |
| British Columbia | Vancouver   | Vancouver        |

(Source: Special tabulation)

The membership of AFM has grown by about a third, from some 20,000 to 31,000, in the past ten years. This may be partly accounted for by the increase in the number of younger members, many in the 'pop' field, and the majority in the larger centres, where the older members are more often 'symphony-orchestra' types of player. The average age is generally higher in smaller communities. There are only a very few musicians who also belong to other associations, such as ACTRA, UDA, or SAC.

#### Access to Employment

Work subject to any of the negotiated agreements is available only to members of AFM, for which the only criterion for admission is to have attained the age of 16.

The AFM does not act as an engagement agency, and members have to make their own arrangements for finding work. Engagements that require more than one musician are negotiated by the leader, who then selects the players he wants for his group. Most leaders, some of whom are also composers, are well informed about the availability of players in their own localities, and of musicians who have particular specialized talents. While the general rule is that an engagement contract is made with the leader personally, he being responsible for paying his own musicians, the negotiated contract with the CBC is anomalous in that regard, for the individual musicians are paid by the CBC itself.

There is growing uneasiness among Canadian musicians, as among other categories of performer, about the practice of hiring foreign players when Canadian players with the same skill and qualifications are available. ACTRA has recently been able, under the terms of its agreement with the CBC, to block the engagement of an American actress for the lead part in a



television drama. However, AFM does not seem to offer its Canadian members adequate protection in this regard. A newspaper article,<sup>(20)</sup> has drawn attention to a recent case of this kind. The occasion was an engagement of a foreigner by a symphony orchestra, but there may be repercussions among musicians of other types who are available for engagements in the film industry.

### Training

A career musician must start out at a very early age and rise quickly to a high level of competence in order to have any chance of securing a satisfactory level of income from the exploitation of his talents. The necessary level of competence is usually attained at about the age of 20. Canada has many music schools, conservatories, and private teachers, and there is plenty of opportunity for training for instrumentalists of every kind, and for any type of music from classical to 'pop'. The subject is too broad to be reviewed extensively in a study addressed specifically to the labour force in the film industry. All that need be said is that training opportunities are more than adequate.

### Mobility

Every musician specializes in the practice of a particular class of music. An instrumentalist may have skills in the playing of more than one instrument, say the piano and the organ, but there is little likelihood that a concert pianist will be found playing in a night club unless he has fallen on very evil times indeed. Within each *genre* of music, there is a fairly high degree of mobility from the smaller to the larger centres, and from one group to another. International mobility for Canadian musicians tends to be exclusively one-way; the influx of American members of AFM, which has begun to replace that of European musicians, is not counterbalanced to any significant extent by opportunities for Canadian musicians abroad.

### Utilization and Income

The utilization of musicians and their incomes fluctuates wildly from time to time, from one location to another, and between classes of

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(20) *Le Devoir*, 13 March 1976.

music. There seems always to have been, and still is, a proportionately greater demand for musicians in Quebec than in the rest of Canada. The majority of all musicians perform in such fields as night clubs, dance-bands, and the like, which provide the major source of income.

In the context of this study, television provides the most employment; there is little opportunity for live performance in radio, except to some extent with the CBC. The AFM/CBC agreement includes a target budget for 1975 of \$7.5 million in fees for musicians, an amount that includes the CBC contribution (6% of total fees) to the AFM pension plan. The budget is distributed across Canada, in proportion to the population, as follows:

|                  |   |     |
|------------------|---|-----|
| Ontario          | : | 39% |
| Quebec           | : | 28% |
| British Columbia | : | 21% |
| Prairies         | : | 7%  |
| Maritimes        | : | 5%  |

No statistics are available for the utilization of musicians in the film industry, which provides most of the demand for original compositions. Reliable data could be obtained only by surveying all the films in which musicians were engaged, distinguishing between engagements under national and international agreements, between original and recorded performance, and between categories of film product, such as theatrical, documentary, pre-recorded, television, and so on. Without this information, which could not have been collected in the time allotted for this study, no estimate of the average income derived from films can be made.

Original music for long feature film is commissioned on no more than five or six occasions in an average year, and usually takes the form of background music. The composer is presented with a finished film, which he must view before composing appropriate music. The decision as to what kind of music is appropriate is sometimes made by the producer. According to AFM, this practice seems to be acceptable to Canadian composers.

During the past decade, there has been a substantial increase in the utilization of musicians generally in Canada. In the classical field



alone, employment has doubled; the average season for players in major symphony orchestras has been lengthened from 18-22 weeks to 36-48 weeks. In more 'popular' fields of music, the level of employment has partly reflected the growth in the disposable income of many Canadians. Overall income in all fields of music in Canada in 1974 is estimated to be in excess of \$60 million; of this amount, the \$24.2 million earned in Toronto alone is expected to have increased to more than \$25 million in 1975.

According to information provided by AFM, it is estimated that some 2000 musicians in Canada earn from \$20,000 to \$50,000 a year, while about 100 exceed \$50,000. The latter, of course, are the very active 'big names' in television and radio. Their fees must account for something like \$5 million out of the total CBC budget of \$7.5 million, a factor that obviously has a limiting effect on the average income of others.

An additional source of income for composers and other musicians derives from royalties and residual rights. Protection of these rights is afforded by two associations in Canada, CAPAC(21) and BMI Canada Limited. All the negotiated agreements have provisions covering residual rights, including payments related to repeat showings or use for other than the purpose of the original performance.

#### 6.4 Film Directors

##### Organization Structure

Since this study is primarily concerned with the film-production industry, TV directors who are staff employees in the public and private sectors of the broadcasting industry have been excluded from detailed consideration.

The NFB employs 78 film directors as members of its permanent staff, of whom 47 are anglophone and 31 francophone; all work mostly out of Montreal. They are represented by SGCT-ONF/NFB. All other film directors are freelancers; the most active among the anglophones are members of the Directors' Guild of Canada (DGC) and, among the francophones, of the

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(21) Canadian Authors and Publishers Association of Canada/*Association des Compositeurs, Auteurs, et Editeurs du Canada*.

*Association des Réalisateur de Film du Québec (ARFQ).*

The DGC, founded in 1961, is a professional association, federally chartered to represent the interests of freelance film and television directors with regard to their professional status. The Guild has offices in Toronto and Vancouver, and elected representatives in Montreal, Ottawa, Calgary, and some other cities. Basic working conditions and tariff schedules have been formulated.

In 1963, francophone film makers in Quebec founded the *Association Professionnelle des Cinéastes du Québec* (APCQ).(22) In the course of time, the interests of film directors diverged from those of the film makers and, in 1973, the former founded the ARFQ, with a membership of film directors exclusively, to protect their professional status. The ARFQ does not regard itself as a 'union' but performs as if it were one. A code of fees and working conditions is in preparation, and will be submitted to members for their consideration in the near future. The ARFQ office is in Montreal.

Availability of Film Directors

The 1975 Directory of the DGC lists 246 freelance members,(23) of whom half are film directors; the distribution is shown in Table 18.

TABLE 18

DGC - OCCUPATIONS OF MEMBERS - 1975

|                              |   |            |   |           |       |
|------------------------------|---|------------|---|-----------|-------|
| Film Directors (film and TV) | : | Toronto    | : | 93        | 75.0% |
|                              |   | Vancouver: |   | 19        | 15.3% |
|                              |   | Montreal   | : | <u>12</u> | 9.7%  |
|                              |   | Total      | : | 124       |       |
| Assistant Directors)         |   |            |   |           |       |
| Production Managers)         |   |            | : | 115       |       |
| Trainees )                   |   |            |   |           |       |
| Art Directors and Assistants |   |            | : | <u>7</u>  |       |
|                              |   | TOTAL      | : | 246       |       |

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(22) See 3.2.

(23) Membership is now 296.



Only the members of the DGC who are film directors are covered in this report.

The ARFQ has 108 members, of whom 80% are freelancers, and 20% permanent employees of NFB, CBC, ORTQ, or private production firms. One or two are located in Quebec City and the rest in Montreal.

The membership of these two associations includes author-directors and executive directors. An author-director is creatively responsible both for the scenario and for directing the production; he conceives and elaborates an idea, and writes a scenario which he submits to a production organization. An executive director is creatively responsible for the direction of production of a film based on a scenario provided for him by the production organization. It is estimated that some 20% of all freelance directors are author-directors, of whom the great majority are francophones working out of Montreal.

Of the 47 anglophone and 31 francophone film directors on the staff of the NFB, a small number were recruited in cities, other than Montreal, where the NFB has regional facilities. A precedent was created in 1975, when a series of films in the NFB 'Challenge for Change' program were directed by women. Most freelance directors have worked on a wide range of film products, but NFB directors have been more restricted under its statutory objectives.

#### Access to Employment

Film directors have diverse social backgrounds, although for some years most have been emerging from the privileged classes; many have entered the profession through the CBC, the NFB, or private film undertakings. Some have been influenced to become directors while gaining experience in other aspects of cinematography, such as editing or camera operation, or even in still photography. Others have been influenced by various specializations in subjects such as psychology, teaching, geography, history, live-theatre direction, journalism, literature, the graphic arts, or even painting. These varied backgrounds give rise to a widely differing range of skills, and suggest the reasons for the basic distinction between author-directors and executive directors; in French Canada, the former are predominant.

To become a member of the ARFQ, a candidate must have directed one long or three short feature films. Anglophones may join, provided that they live and work in the Province of Quebec. A few members of the ARFQ also belong to the DGC. Some 10% of ARFQ members are also producers, while a few retain certification in one of the trades represented by the technicians' associations.

Membership of the DGC comprises senior and associate members. To become a senior member, a film director must have directed a minimum number of screen-minutes in one or more different categories of film. Those who do not qualify as senior members but have been employed as directors or assistant directors are admitted as associate members, and are promoted when they have qualified.

### Training

Certain basic talents are a prerequisite for directing any category of film. A director must have extensive knowledge of film editing, and some camera experience is an advantage; for fiction films, he must also be capable of directing and winning the confidence of actors and actresses. Much of this experience at present is necessarily acquired on the job. It is noted that freelance work is more conducive to professional growth, since an individual gains experience in more types of film than he would if permanently employed by a producing organization.

The DGC has initiated a course in which film directors act as instructors, and has made arrangements with the CBC (English Network) for the acceptance of trainees to work on television productions. The recently initiated regionalization program of the NFB, extending to five regions of Canada, will also serve to discover and develop local talent.

Some Canadian universities and colleges offer a variety of 'communications' courses, most of which include film-production studies, but at present as only a minor part of the curriculum. The courses tend to be more theoretical than practical. There is certainly justification for a thorough review of training opportunities for a profession in which, for some reason or other, graduates often start work as coffee-boys on film crews.



It may well be found, however, that at least some skills can be acquired only through on-the-job experience.

In attempting to elaborate a training-profile for film directors who are active today, it is found that they fall into three classes: those over 40, those under 30, and a few in between. Most of the francophones over 40 developed their talents while making documentaries for the NFB in the late 1950s and early 1960s, and then gradually moved into the private sector, either as permanent employees, shareholders, freelance directors, or producers. As has been mentioned, there are no writers on the NFB staff; film directors are encouraged or required to become involved in writing for the films they direct, and many go on to become author-directors. A good many of the anglophone freelancers, however, learned their trade with the CBC in the 1950s. Very few of the film directors under 30 have worked on the staffs of the NFB or the CBC; most of them, anglophones and francophones alike, have been able to develop their talents in the private sector.

This background helps to explain the dominant characteristics of the francophone group of directors, who have been responsible for or associated with the establishment and growth of the feature-film industry in Quebec, which evolved from the production of short feature films. Directors trained in the NFB became involved in writing as well as directing, and the habit persisted when they moved into the production of long feature films. The combination of functions is not likely to disappear altogether but, as more executive directors and scenario writers emerge, the scope for the author-director will probably diminish. Three or four years ago, particularly in Quebec, most films were written and directed by the same person, but more recently there has been a marked trend towards the separation of the scenario writing from the direction. Another recent development is that several directors are teaming up with particular writers as associates, a trend that is to be welcomed since the writers will become better acquainted with the production process and the directors will acquire a better knowledge of how a script should be written.

#### Mobility

Generally, a film director starts by working on a variety of short films or fillers, thus gaining experience and, if successful, a reputation

that will lead to opportunities in other categories, such as television drama, commercials, or long feature films. Some directors tend to specialize in a particular category of film, and, to the extent that they do so, will be utilized only by a limited number of engagers. Others who are primarily interested in directing long feature films, for which opportunities may be few and far between, may specialize narrowly in some other category in order to ensure a bread-and-butter income. In short, the work opportunities for a film director are determined by his specialization, competence, flexibility, and versatility.

Most film directors either work with the NFB, the CBC, or the private sector of film production, but few will occasionally work in the educational or private sectors of television. When there is a lack of directing opportunity, some directors go back to their first trade. Some, generally the most experienced, also teach in universities or colleges.

In general, a film director usually identifies his career with his own country, and is not attracted to the United States, or France, or other countries. Most anglophone directors identify themselves with the social and cultural values of English-speaking Canada, while the franco-phones identify themselves so strongly with the Quebec *milieu* that they have come to be regarded as leaders in the efflorescence of a uniquely French-Canadian culture that is expressed in the French language. Any film director, however, may seize an opportunity to work in a foreign country temporarily, but most evidently prefer to work in Canada. It may be noted, in passing, however, that this has not always been the case, for a surprisingly large number of Canadian directors have achieved world-wide recognition for their work in the United States and elsewhere.

There appears to be a national pecking-order among film directors in Canada, with directors of documentaries, for instance, ranking lower than directors of long feature films. This is a total misconception, for film directors have differing talents, and not all are qualified to direct every category of film. Some technicians describe themselves as 'film directors' with little or no justification, and it is observed that there are fewer cameramen available than film directors. This sort of blurring of occupational categories is not accepted in countries in which the film industry



has been longer established, and the fact that it is tolerated in the Canadian film industry is an unmistakable symptom of growth. It should be added, however, that some film directors become producers if this is the only way in which they can achieve their ambition to direct a film.

#### Utilization and Income

Freelance film directors frequently move from one engager to another, and from one category of film to another, under varying fees, terms, and conditions. It is therefore not possible to estimate an average income for film directors as a total group, but some indication can be given of the remuneration for certain categories of work.

For a long feature film, a director may expect a fee of from \$15,000 to \$25,000, sometimes more, for from six to twelve months' work. A very few directors can negotiate higher fees, or a percentage of gross revenue, or some other more favourable conditions or terms, but it should be noted that a director may be engaged on a long feature film no more often, on average, than once in four years. Moreover, since the criterion of commercial profitability is of the greatest importance for a long feature film, a second opportunity for a director is extremely hard to get if that criterion has not been met in the first instance.

It is estimated that only approximately 15% of Canadian film directors have the opportunity to work on long feature films, most of which are produced by the private sector and only a few by the NFB.

Direction of television commercials is a highly specialized operation which requires experience and the exercise of particular skills, and only some 20 anglophone and 12 francophone directors are normally involved. Most commercials are produced by the private sector, and the volume of production is much higher in Toronto than in Montreal. Work is generated by the advertising agencies, which are always looking for a 'name' to direct their commercials. Production firms are often required in tendering, to identify the director they propose to engage, while in other cases the advertising agency names the director who is to be engaged by the producer. These practices lead to intense competition among production firms and are a source

of bargaining power for the most successful directors of commercials. They may collect retainer fees, which are higher if the retainer is exclusive, with the result that some directors become tied to a particular production firm by this means, while others are employed on the regular payroll.

For a television commercial, a freelance director may earn from \$1000 up to about \$5000 for each day of shooting, including pre-production and post-production days if required, and the working period usually runs for anywhere from one to five days. The luscious rewards are shared, however, by only about 32 of the most experienced and best known directors in this field, who have attained their preferential positions as a result of aggressive competition among producers as much as by a recognition of their undoubted talents. Some of them work exclusively on commercials, but others undertake this work only as a source of basic income while working on other categories of film. For the purpose of comparison, a director who is able to work on eight television commercials at \$3000 a day will be occupied for from eight to 24 days, in a single month or through a year, depending on the incidence of engagements. He will be earning as much as, or much more than, the director of a feature film which may take from six to 12 months to produce.

Television has a voracious appetite for film products, but few freelance directors have opportunities to participate, and only very occasionally. The only exception to this rule has been opened up, since 1973, by the Television Drama Department of the CBC (English Network), which is responsible for most of the film series and is now almost exclusively manned by freelance directors. An interesting development, which could hardly be regarded as indicating a trend, is the recent engagement by CBC (English Network) of two prominent film directors from Quebec to work in Toronto. Contracts are usually for one show, at an average fee of \$3500, covering a period of three weeks including about a week or so of shooting, the rest of the time being taken up by pre-production and post-production work.

The CBC and the NFB engage freelance directors under the terms of negotiated contracts. The CBC has no ceiling on fees, but the NFB will consider paying only up to 15% above their negotiated salary. Table 19



shows the minimum rates established by the DGC for contracts in the private sector only; higher fees may be negotiated.

TABLE 19

DGC - MINIMUM RATES FOR FILM DIRECTORS - PRIVATE SECTOR - 1975

| <u>Category</u>                                                                 | <u>Daily</u>                                            | <u>5-day-week</u>                                              |
|---------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------|
| Feature films and TV drama (61 minutes or more in length)                       | \$172.00                                                | \$923.00 or 4% of below-the-line budget (whichever is greater) |
| Documentaries                                                                   |                                                         |                                                                |
| Short Films                                                                     |                                                         |                                                                |
| Dramatic or musical TV production (live, videotape, 60 minutes or less of film) | \$184.50 per show or per day (whichever is the greater) |                                                                |
| Second Units for all categories (except commercials)                            | \$159.00                                                |                                                                |
| Commercials                                                                     | Negotiable                                              |                                                                |

(Source: DGC)

It is estimated that the earnings of members of the DGC are derived, on average, from different categories of film in the following proportions:

|                          |   |     |
|--------------------------|---|-----|
| Television - commercials | : | 40% |
| - other                  | : | 25% |
| Documentaries            | : | 20% |
| Long Feature Films       | : | 15% |

Among anglophone film directors, it is estimated that some 25% earn between \$25,000 and \$50,000 a year, and 75% between \$10,000 and \$25,000. The DGC estimates average earnings at about \$20,000 a year.

The ARFQ undertook a survey, and found that there are five or six of its members who earn more than \$22,000 a year. Some 20% of ARFQ members are permanent employees of producing organizations. Such other figures as could be ascertained were not regarded as sufficiently representative to form the basis of averaging. At present, freelance directors who are members of ARFQ negotiate individually with engagers according to the category of film. The ARFQ is working towards the establishment of fees amounting to 10% of total budget for the following categories: sponsored films, creative or experimental films, and television commercials.

The figures for earnings of film directors are so incomplete that they give no more than a rough indication of the possible range. Those who work permanently for the CBC or the NFB make less on a daily basis than freelancers who, of course, cannot be sure of reasonably continuous engagements. At the time this survey was being made, production level was high in Toronto while there was widespread unemployment among Montreal film directors. The multiplicity of film categories and the diversity of the terms, fees, and working conditions that apply to each suggest that any attempt to estimate the average earnings of film directors is bound to be inconclusive and may be misleading if only for the fact that there is no such person as 'an average Canadian film director'.

One final point with regard to the earnings of author-directors(24) is that neither their author's rights in their scenarios nor their rights in the films they direct seem to be very well protected in the Copyright Act. They are also often victimized, either through ignorance or through lack of attention, by producers who buy all the rights and dispose of them separately to their own benefit rather than that of the author-director. The point is important for them, because in many cases properly protected copyright in all aspects of a film can be an important additional source of income.

## 6.5 The Technical Talents

### Organization Structure

The term 'the technical talents' is used as a comprehensive description of the wide variety of technical artists and craftsmen employed in film

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(24) See also 6.2.1 above.



and broadcast production, who are classified in accordance with as many as 40 job titles. Approximately 80% are staff employees and 20% freelancers, the latter mostly working in film. They are represented by:

|                   |                           |
|-------------------|---------------------------|
| NABET (43 locals) | - permanent and freelance |
| SGCT-RC           | - permanent and freelance |
| SGCT-ONF          | - permanent and freelance |
| IATSE             | - freelance               |
| SNC               | - freelance               |
| DGC               | - freelance               |

NABET represents most of the permanent staff of the large broadcasting organizations. The unions do not attempt to deal with organizations that have fewer than 20 permanent employees, among whom turnover tends to be high; in these circumstances, the negotiation of a first agreement is particularly difficult, and the results economically unrewarding for the union.

In the broadcasting industry, it is difficult to make positive identification of the technical talents among permanent employees, and they are accordingly not covered in this study. The technical talents are more readily identifiable in the film industry, in which SGCT-ONF represents both the permanent staff of the NFB and the freelancers it engages. Freelance technical-talent representation is generally organized by provinces, and by spoken language, as indicated in the following paragraphs:

NABET has 43 locals across the country. Local 700 NABET-ACF was formed in February 1970 to represent technical talents in videotape production particularly, but also represents its members in film production. The permanent staff of Crawley Films are represented by NABET Local 711. The other 41 locals represent both permanent staff and freelancers in the broadcasting industry. The NABET Local 700 has unilaterally elaborated a basic minimum agreement.

SGCT-RC represents francophone and anglophone newsmen in Montreal, Quebec, and International Services, while newsmen in all other regions,

including Chicoutimi and Matane, are represented by the Newspaper Guild.

SGCT-ONF represents the production labour force of the NFB, which also has talent agreements with AFM. The NFB is a signatory to the ACTRA Film Agreement, and adheres to the *Règle de base de cinéma* of the UDA. In co-productions with the CBC, the CBC agreements with ACTRA, UDA, and SAC apply.

SGCT-ONF labour agreements cover a total of 220 permanent employees of the NFB, most of whom work out of Montreal. There are a few permanent employees in Moncton, Toronto, Winnipeg, and Vancouver, which has the largest total of 12. Toronto is in a developing stage and is expected eventually to have a sizeable permanent staff. Staff for the French-language production centres in Moncton, Winnipeg, and Toronto are recruited locally, while the staff of the English-language centres are usually transferred from the headquarters in Montreal.

Freelancers employed by the NFB are either under contract or invoice for services rendered. Only a minority of those under contract are declared to be employees subject to the usual deductions from their pay, the others being classified as 'contractors'. The former are paid in accordance with the SGCT-ONF agreement with the Board, with the addition of 15% to cover the cost of social benefits. Information was not available on the number of contracts entered into in a given year, but it was estimated that, at the time of the study, about 200 were in effect<sup>(25)</sup>, some covering periods of several months, while others were for only a few weeks. Individual contracts accounted for 95%, while the remaining 5% were contracts with companies for the services of named individuals. Invoices totalled about 100, of which some 75% were with individuals and 25% with companies. Freelancers are mostly employed or engaged for film research, direction, or editing; there are few cameramen on contract. About 75% of the NFB freelancers work on the production, direction, or execution of sponsored films. It was reported that, in the NFB, anglophone staff are readier to accept work on sponsored films than the francophones, who tend to be uninterested in working on products that involve no social commitment.

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(25) Excluding contracts related to COJO.



IATSE follows the structural pattern in the United States, its 50 locals across the country tending to be organized by trades; the five concerned with film production are:

|                      |   |                           |
|----------------------|---|---------------------------|
| Local 734 - Montreal | : | Technicians and Cameramen |
| 877 - Toronto        | : | Technicians               |
| 644 - Toronto        | : | Cameramen                 |
| 891 - Vancouver      | : | Technicians and Cameramen |
| 905 - Charlottetown  | : | Mixed, Stage and Film     |

Their members are also available for videotape production. IATSE has an agreement with the Toronto Commercial Film Producers Association, and negotiates individual contracts by type of project in advance of the start of production on each long feature film.

SNC, which was founded in 1969 under the Quebec Professional Associations Act, represents freelance technical talents in the Province, and has a basic agreement which is used in negotiations in advance of any feature film production.

DGC represents not only film directors, as mentioned in the preceding section, but also other categories of technical talent which form part of the mainstream covered in this section.

Figure 4 depicts the breakdown of representation of technical talents by the several unions and associations.

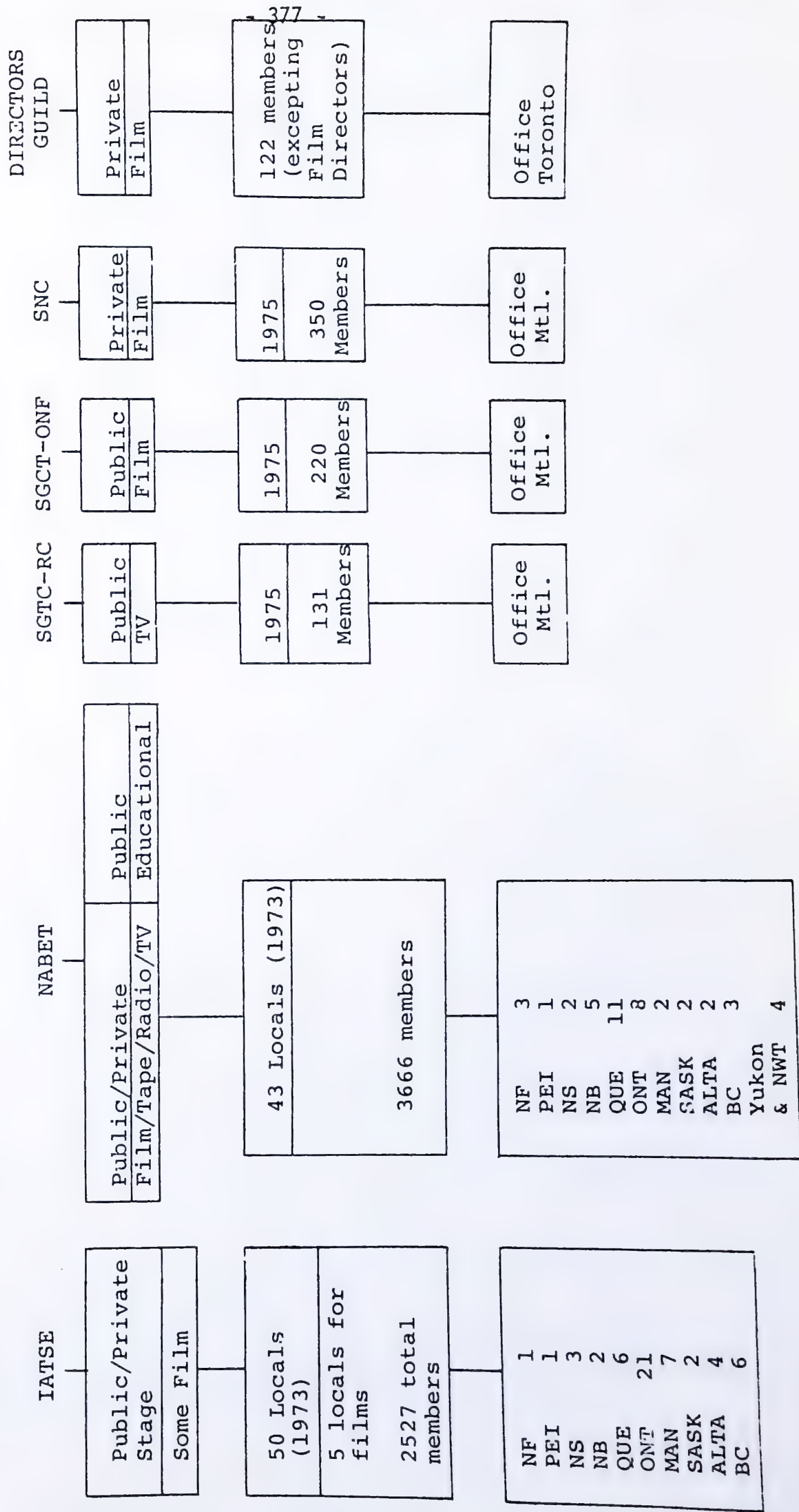
#### Availability of Technical Talent

The unions representing the freelance technical talents claim a total membership of 1007, and estimate that an additional 1000 individuals are not unionized. These comprise freelancers who cannot qualify for certification, or who are not interested in joining a union, or who are working only on a part-time basis. Freelancers are mainly found in the following fields of activity:

- i. News, in which the principal market is in broadcasting; freelancers work either as 'stringers' (shoot and sell) or 'contractors' (sell and shoot).

FIGURE 4

TECHNICAL-TALENT LABOUR STRUCTURE





- ii. Documentaries, mainly produced by non-unionized crews for the NFB, public and private broadcasting organizations, and film producers in the private sector.
- iii. Television commercials for advertising agencies are mostly made by unionized crews in Toronto and (English-language) Montreal, usually represented by NABET for videotape and IATSE for film; French-language commercials are made by non-unionized crews in Montreal. <sup>(26)</sup>
- iv. Feature films, mostly made by producers in the private sector using unionized crews represented by the appropriate unions in relation to the location of production and the type of technical talent.

Tables 21, 22, and 23 show the memberships of NABET, IATSE, and SNC, broken down by type of talent.

#### Access to Employment

Work opportunities in some technical elements of film production are governed by 'closed-shop' agreements. In these cases, recruitment and assignment are generally done by the union concerned.

#### Training

In Canada, there is no school or other institution dedicated to the training of technical talents for employment or engagement in the film industry. Such courses as are offered by schools, colleges, and universities are more theoretical than practical, and do little more than cater to a vaguely conceived demand. Successful students are later recruited by the unions and almost invariably have to spend a year or two as trainees before being certified.

#### Mobility

Lack of training and rigidity of union control of access and

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(26) These crews may be composed of members of SNC, which is organized only for the purposes of feature-film production, and therefore regards its members engaged on other film products as 'non-unionized'.

TABLE 21

NABET LOCAL 700

DISTRIBUTION OF TECHNICAL TALENTS - 1975

| <u>Job Titles</u>              | <u>Number of Members</u> |
|--------------------------------|--------------------------|
| Art Set Design                 | 1                        |
| Audio - TV                     | 8                        |
| Audio - Assistant              | 2                        |
| Best Boy                       | 4                        |
| Camera - Assistant Film        | 5                        |
| Camera - Newsreel - Film       | 1                        |
| Camera - TV                    | 16                       |
| Carpenter - Bench              | 7                        |
| Electrician                    | 14                       |
| Floor/Studio Director          | 7                        |
| Graphic Artist                 | 1                        |
| Gaffen                         | 4                        |
| Key Grip                       | 8                        |
| Grip                           | 10                       |
| Hair Stylist                   | 9                        |
| Lighting Director              | 7                        |
| Make-up                        | 9                        |
| Make-up Assistant              | 1                        |
| Mike Boom                      | 4                        |
| Painter                        | 2                        |
| Props/Set Decorator            | 4                        |
| Script Assistant (P.A.)        | 16                       |
| Switcher                       | 3                        |
| Video                          | 1                        |
| Videotape Operator             | 3                        |
| Wardrobe                       | 7                        |
| Wardrobe Assistant             | 2                        |
| Labourer                       | 2                        |
| Maintenance                    | 1                        |
| Sound Mixer                    | 5                        |
| Miscellaneous Inactive Members | <u>9</u>                 |
| TOTAL                          | <u>173</u>               |



TABLE 22

IATSE

DISTRIBUTION BY TECHNICAL TALENTS - 1975

| <u>Job Title</u>                                        | <u>Members</u> |
|---------------------------------------------------------|----------------|
| <u>Local 877 - Toronto</u>                              |                |
| Electrician - 3 levels                                  | 60             |
| Grip                                                    | 27             |
| Propman                                                 | 29             |
| Continuity girl                                         | 17             |
| Sound Mixer                                             | 15             |
| Boom Operator                                           | 7              |
| Hairdresser                                             | 8              |
| Make-up                                                 | 17             |
| Carpenter                                               | 30             |
| Painter (scenic)                                        | 9              |
| Wardrobe (costume design)                               | 8              |
| Mixer                                                   | 11             |
| Crafts service man                                      | 32             |
| Art Director                                            | 4              |
| Editor and Assistant Editor                             | 8              |
| TOTAL                                                   | 282            |
| <u>Local 644 - Toronto</u>                              |                |
| Cameraman                                               | 50             |
| Assistant Cameraman                                     | 25             |
| Still Photographer                                      | 8              |
| TOTAL                                                   | 83             |
| <u>Local 891 - Vancouver</u>                            |                |
| Total Membership                                        | 45 (est)       |
| <u>Local 734 - Montreal</u>                             |                |
| Total Membership                                        | 40             |
| <u>Local 905 - Charlottetown (Mix - Stage and Film)</u> |                |
| Total Membership                                        | 35 (est)       |

TABLE 23

REGIE

|                                                 |           |
|-------------------------------------------------|-----------|
| 1er Assistants-Réalisateurs                     | 17        |
| 2ième Assistants-Réalisateurs et/ou Ass. Régis. | 31        |
| Script-Girls                                    | 14        |
| Régisseurs                                      | 14        |
| Secrétaires                                     | <u>9</u>  |
| TOTAL...                                        | <u>85</u> |

CAMERA

|                         |           |
|-------------------------|-----------|
| Cameramen               | 30        |
| Assistants-Cameramen    | 37        |
| Photographes de Plateau | <u>10</u> |
| TOTAL...                | <u>77</u> |

SON

|                 |           |
|-----------------|-----------|
| Preneurs de Son | 21        |
| Perchistes      | <u>11</u> |
| TOTAL...        | <u>32</u> |

SCENOGRAPHIE

|                                          |           |
|------------------------------------------|-----------|
| Directeurs Artistiques                   | 5         |
| Peintres-Décorateurs                     | 1         |
| Chefs-Décorateurs                        | 3         |
| Décorateurs-Ensembliers                  | 8         |
| Accessoiristes et Assistants-Décorateurs | 12        |
| Assistants-Accessoiristes                | 0         |
| Maquilleurs                              | 12        |
| Coiffeurs                                | 5         |
| Créateurs de Costumes                    | 5         |
| Costumiers                               | 4         |
| Habilleurs et Assistants-Costumiers      | <u>7</u>  |
| TOTAL...                                 | <u>62</u> |



TABLE 23 (continued)

TECHNIQUE

|                    |           |
|--------------------|-----------|
| Chefs-Electriciens | 9         |
| Electriciens       | 10        |
| Chefs-Machinistes  | 5         |
| Machinistes        | <u>8</u>  |
| TOTAL...           | <u>32</u> |

MONTAGE

|                      |           |
|----------------------|-----------|
| Monteurs (image/son) | 32        |
| Assistants-Monteurs  | <u>18</u> |
| TOTAL...             | <u>50</u> |

|                 |                   |
|-----------------|-------------------|
| GRAND TOTAL ... | <u><u>338</u></u> |
|-----------------|-------------------|

POUR UN GRAND TOTAL DE 338 MEMBRES

Rapport produit le 22 octobre 1975.

progress are powerful deterrents to any degree of mobility among the technical talents. A very few cameramen move from film to videotape or *vice versa*, but some movement of permanent staff from television to film has been observed. There is, of course, a fair degree of mobility between the public and private sectors of broadcasting.

#### Utilization and Income

There are wide differences in the availability of work opportunities for some categories of technical talents. Specialized talents required for feature film production are in demand only in relation to the number of feature films to be produced, while commercial film production offers steadier employment for others. The number of technical artists and craftsmen required for the production of a film depends on its category, format, and content, relating to such variable requirements as sets, costumes, props, make-up, inside or outside shooting, and size and nature of cast.

Pre-production involves directors, directors of photography or cameramen, production directors, art directors, and script girls. Others might be involved, as for example in a historical film that would require more set and costume designers and props people. On top of these, shooting involves assistants to the director, assistants to the production director, assistant cameramen, sound people, a production secretary, electricians, an assistant editor for rushes, and--if there is a large cast--a régisseur. Fewer, of course, would be needed for a short production such as a television commercial.

The post-production period will vary in accordance with the length of the film--two to four months for a long feature, two to six weeks for a short feature, or from three to seven days or more for a television commercial. Post-production involves editors (positive and negative), sound people (recording, transfer, mix), laboratory technicians, and others. The Director and Production Director will continue to be involved to the end of the whole production process.

While recognizing that averaging may be a misleading practice, Figure 5 is an attempt to depict a typical film-production crew.



FIGURE 5

TYPICAL CREW MEMBERS REQUIRED - PRIVATE INDUSTRY

• Long Feature Film

Pre-production:

4 to 6 individuals

1 month

plus

Shooting:

20 to 30 individuals

2 to 3 months plus

• Short Feature Film

Pre-production:

3 to 5 individuals

7 to 10 days plus

plus

Shooting:

6 to 10 individuals

7 to 10 days plus

• TV Commercials

Pre-production:

2 to 3 individuals

1 or 2 days

plus

Shooting:

5 to 8 individuals

1 or 2 days plus

Having regard to the diversity of specialized technical talents and the multiplicity of agreements that govern their utilization in film production, it was decided that useful purpose would be served, in the context of this study, by attempting to arrive at estimates of the total and average earnings of technical artists and craftsmen engaged in film production. To give some idea of the potential, however, some representative scales of remuneration are shown in the Tables in Appendix A.



## 7. CONCLUSIONS, AND RECOMMENDATIONS

### 7.1 Conclusions

The purpose of this study was to identify and analyze the composition of the labour force working in the film-production industry. Some lack of precision in the results was inevitable, for film production, as an industry, cannot be isolated from a number of parallel industries and activities, notably television, that use similar facilities and require the same categories of labour. Moreover, these categories are not in all respects self-contained, since individuals may work in one capacity or another from time to time, or from one type of film product to another. Statistical data, which are hard to come by, may therefore be misleading if heads are counted under more than one category or sub-category. Entry to the professional associations or unions does not, in most cases, require highly specialized qualifications. Thus the unfortunate fact has to be faced that, since the film industry is amorphous and far from self-contained, it is not possible to arrive at reliable estimates of the number of people in each category and sub-category, or of what they earn. It is believed, nonetheless, that the information presented in this report will serve to bring fresh insights to bear on the complex problems of the labour force in the Canadian film-production industry. These are the principal findings:

- (1) Film, like broadcasting, is an important element in the preservation and development of social and cultural values. The market for Canadian films is restricted by the distribution system, with the result that output and work opportunities are lower than they should be.
- (2) In broadcasting, there is a growing public belief that there is too much American programming. In a recent Gallup Poll conducted by the Canadian Institute of Public Opinion, 59% of the responders (65% of those under 30) said that Canadian culture is being influenced too much by American television, as against 49% in 1970.
- (3) The Canadian film industry is still in an adolescent stage, and cannot be compared to or modelled on its counterpart in the United States, with its very different demography,

wider and larger markets, and greater capacity to absorb film products.

- (4) Broadcasting in Canada cannot be fairly compared with broadcasting in the United States, because it is dominated by the CBC which provides, by definition, a national service. American broadcasting is basically a community system only partially hooked up nationally by the three major networks. The need for more locally-produced programs has led to the establishment of a flourishing sub-industry of 'program packagers', which has no counterpart in Canada.
- (5) Work opportunities for the labour force are directly influenced by the budgets and activities of:
  - the NFB and the CFDC;
  - the CBC, the provincial educational television authorities, and the television networks and stations in the private sector;
  - film-production firms in the private sector; and
  - advertising agencies;and by the multiplicity of labour agreements between the employers or engagers and the professional associations and unions.
- (6) The Canadian Radio-Television Commission (CRTC) exercises a direct influence on the volume of film and videotape production in Canada through its rules and regulations governing:
  - Canadian content in television programming;
  - the length and frequency of commercials;
  - Canadian content of commercials; and
  - the balance in programming within and between the public and private sectors.



- (7) The CBC is by far the largest employer and engager of creative talents, but spends only 11% of its operating budget for that purpose, as compared with, for instance, 35% by the British Broadcasting Corporation (BBC). Only about 6% of CBC programming is commissioned from the private sector.
- (8) Film-production firms in the private sector mostly have very small permanent staffs, which they supplement, as required, by engaging freelance creative and technical talents of all kinds.
- (9) The private television networks and stations provide only a small percentage of the work available for the creative talents.
- (10) The CBC (English Network) produces 80% of its programs on film, thus providing much more work for film directors than the French Network, which produces 80% of its programs on videotape.
- (11) Television provides, directly or indirectly, more work for performers, writers, and, to a lesser extent, musicians and anglophone film directors.
- (12) Film directors in general are less concerned about the money they make than about the establishment of a distribution system that will permit their films to reach wider audiences both in Canada and abroad.
- (13) The cost of talent and labour in film production in Canada is 50% lower than in the United States.
- (14) The 'star system' is of greater importance in French-language film production, since the most successful performers in Canadian English-language films tend to be lured away by the wider opportunities and larger earnings available in the United States.

- (15) The first generation of NFB and CBC film makers have retired, or are approaching retirement age; a need is going to arise very soon, if it does not already exist, for younger directors, most of whom can at present find work only in the private sector.
- (16) Both the NFB and the CBC are perceived in the industry as heavily inbred, providing work opportunities and relatively high incomes only to the select few.
- (17) Industrial relations in the broadcasting and film industries are dominated by the agreements negotiated by the CBC with the professional associations and unions, particularly ACTRA, UDA, and AFM.
- (18) In the private sector of the film-production industry, industrial relations appear to be rigid and cumbersome, giving rise to a regimentation of the technical craftsmen which makes it almost impossible to produce a medium-cost or low-cost motion picture. It was reported that, in some cases, a work crew is forced on a producer with no real regard for the nature or amount of the work to be done.
- (19) The anglophone technicians' associations have structured and organized the commercial sectors of the film industry, and to a lesser extent, the feature-film sector. The francophone associations, on the other hand, are moving from the feature-film sector to the organization of the commercial sector.
- (20) As the output of the private sector grows, it is likely that some of the production firms that now have very small permanent staffs will tend to employ more staff technicians instead of relying mostly on freelancers, as they do now.
- (21) The intervention in the industry by the Federal Government, necessary and helpful as it may have been thirty or even



twenty years ago, is now fairly generally regarded in the industry in one aspect or another, as restrictive of growth, misconceived, inconsistent, and insufficiently sensitive to the real needs of the labour force that is the most valuable asset of the industry.

- (22) In one particular aspect, opinion is divided: while the performers, writers, and musicians are pleased to have negotiated with the federal agencies for an overall 'target budget' to be spent on their services, most film makers and producers believe that a rapid growth in output would be stimulated if more film products were to be commissioned by the agencies from the private sector.
- (23) The CFDC is restricted by its incorporating statute to promoting the production and distribution of Canadian feature films, the production sector in which nearly all film makers are most interested, and which at present provides work for some 25% of the total labour force. Opinions have been expressed that:
  - i. the CFDC should take a more active part in promoting the distribution of Canadian feature films in Canada and abroad; and
  - ii. the CFDC should only invest in films when authentic stimulation of creativity is evidenced and major functions carried out wholly by Canadians.

Although the Canadian film industry is still in an early phase of a struggle for survival, a more demanding audience is developing and Canadian films are recognized, particularly in French-speaking Canada, as a prime means of fostering a distinct consciousness of Canadian identity. The 'critical mass' which is the essential base for a fully professional and organized industry has been achieved, and the next phase of development will provide more stable employment for the labour force and wider opportunities for the use of creative talent.

Rapid technological change will continue to confront film makers with challenges to their competence and adaptability. The videotape recorder, for instance, has already made inroads on a large scale. It is too early to predict the impact of the video-cassette, let alone its putative successors, the video disk and the 'memory block'.

The creative talents, while seizing the opportunities for original forms of expression being made possible by new technologies, will be all the more inclined to ensure that they are competently represented in negotiations with employers and engagers. In particular, they will become increasingly insistent on legislative changes that will afford comprehensive protection of their various proprietary rights in the film products in which they have taken part.

From observations and analyses made in the course of this study, it is evident that the next phase of development will be critical, and will be beyond the capabilities of the private sector to achieve without the right kind of support and assistance from the Federal Government. The NFB and the CFDC have played a vital role, which now needs to be reviewed and probably amended. The CBC and the NFB have been the most important factors in the growth and organization of the labour force, but their activities have tended to inhibit the growth of the private sector and its utilization of the creative talents. There is a strong conviction among film makers that if more work were commissioned by the federal agencies from the private sector, the effect would be catalytic, since the additional output would foster the growth of the better production firms beyond the marginal status, enabling them to hire larger permanent staffs and achieve economies of scale which would lead to greater sales. There is also a widespread belief that the production of Canadian feature films will continue to be constrained unless something is done to break the hold of the foreign-owned distribution chains that prevents Canadian films from being seen by larger audiences, both in Canada and abroad.

There is room for improvement in the field of industrial relations, where the professional associations and unions are so numerous and so varied in their approaches that they present almost insoluble problems for production firms in the private sector. There is some evidence, too, that the



multiplicity of representation may not be in the best interests of the labour force as a whole. Some of the professional associations are, in effect, acting like old-fashioned trade unions by promoting the employment or engagement of their own members without regard to the interests of other groups, and inhibiting the proper use of the creative talents without which the industry, as a social and cultural force in Canada, could not continue to exist. It is to be hoped that the labour force itself will generate a move towards a more rational structure of labour organization, which would enable the Government and its agencies, as well as film producers in the private sector, to respond more quickly and effectively to representations from organized labour.

It should be mentioned that there is some uneasiness among creative artists and technicians about recent interpretations of the difference between 'an employee' and 'a contractor'. The reasons for the general policy of the Government in this regard are understood in relation to the recent growth in the practice of contracting for the services of individuals on more than a very short-term basis. The policy has, however, a restrictive effect on the utilization of freelance creative talents in both public and private sectors of film and television production. Consideration should be given by the appropriate authorities to finding means to ameliorate the situation.

The film-production industry in Canada is, in a sense, unique in its dependence on Government intervention. The size and prosperity of the labour force are to a very large extent governed by federal legislation, policies, and funding, either directly or through the CBC and the film agencies. More general policies, in such areas as taxation and revenue practices, affect investors, producers, and organized labour in ways that are not always beneficial to the strength of the film industry. These comprehensive studies of the industry were timely, for the nursery phase is past; the film industry should now be encouraged to spread its wings.

## 7.2 Recommendations

In the light of the foregoing findings and conclusions, it is recommended that:

- (1) Steps be taken as soon as possible to increase the proportion of film production for the Government and its agencies that is commissioned from the private sector.
- (2) The Secretary of State should consider giving a direction to that effect to the National Film Board, exercising his powers under Section 3 of the National Film Act.
- (3) The Department of the Secretary of State should enter into discussions with the Canadian Broadcasting Corporation on the desirability and feasibility of commissioning a larger proportion of the Corporation's program production from the private sector.
- (4) The Department of the Secretary of State should initiate a study in depth of all the labour agreements in effect in the film-production industry, particularly those to which the CBC is a party, for comparison with labour agreements in such countries as the United Kingdom and Sweden, and make the results available to organized labour and to producers in the private sector.



APPENDIX I

MERCHANDISE TRADE-CANADA-FILM PRODUCTS AND AUDIO-VISUAL MATERIALS

- i. The tabulations that follow have been extracted from statistics on Commodity Imports and Exports prepared and published regularly by Statistics Canada, External Trade Division.
- ii. The items appearing in the Remarks column indicate the sub-categories for which data are available with External Trade Division but not currently published. However, the information by sub-category may be only partially available as compliance is optional.

IMPORTS

(\$000s)

| <u>Code</u> | <u>Commodity</u>           | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>REMARKS</u>                                                                                                                                                                             |
|-------------|----------------------------|-------------|-------------|-------------|-------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 634-77      | Video Tape                 | 3,580       | 4,575       | 3,764       | 5,211       | 7,198       | i) Magnetic tape, video, blank<br>ii) Magnetic tape, video, recorded sold                                                                                                                  |
| 637-90      | Phonograph Record & Blanks | 3,168       | 3,919       | 5,499       | 7,030       | 10,352      | i) Master records, sound<br>ii) Record blanks, phonograph<br>iii) Record, phonograph, recorded<br>iv) Video disks, blank<br>v) Video disks, recorded<br>vi) Matrices for record production |
| 912-02      | Projectors, Overhead type  | NA          | 517         | 648         | 432         | 494         | i) Projectors, overhead                                                                                                                                                                    |

| <u>Code</u> | <u>Commodity</u>                            | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>REMARKS</u>                                                                                                                         |
|-------------|---------------------------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 915-13      | Motion Picture film, unexposed (50' & over) | 2,597       | 2,361       | 2,606       | 2,302       | 2,931       | i) Motion pic. film, unexposed, rolls 50' or more                                                                                      |
| 918-13      | Motion Picture film sold, exposed           | 11,612      | 10,643      | 11,265      | 12,261      | 12,088      | i) Film, motion pic. exposed, sold<br>ii) Film, motion pic. educational                                                                |
| 813-21      | M.P. film exposed (M.P. film educational)   | NA          | NA          | NA          | NA          | 3,659       | * 1974 figure incomplete (69% response)<br>J/A 1975 3234 (79%)                                                                         |
| 995-85      | M.P. film not sold exposed                  | 2,195       | 1,960       | 3,520       | 2,779       | 3,008       | i) Film, motion pic., exposed, not sold<br>ii) Motion pic. film, exposed, not sold<br>iii) Video tape, recorded, not sold to consignee |
| 918-39      | Photo film and plates sold exposed NES      | 5,911       | 5,105       | 5,299       | 5,472       | 6,547       | i) Bibliofilms, processed<br>ii) Film slides<br>iii) Microfilm, exposed<br>iv) Film, still pic. exposed NES                            |

EXPORTS (INCLUDING RE-EXPORTS)

(\$000)

| <u>Code</u> | <u>Commodity</u>           | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>Remarks</u>                                                            |
|-------------|----------------------------|-------------|-------------|-------------|-------------|-------------|---------------------------------------------------------------------------|
| 637-90      | Phonograph Record & Blanks | 571         | 611         | 898         | 1,619       | 1,781       | i) Magnetic tape, video, blank<br>ii) Magnetic tape, video, recorded sold |

\* Country of origin data not easily available.



| <u>Code</u> | <u>Commodity</u>                      | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>Remarks</u>                                                                                                                         |
|-------------|---------------------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 918-13      | Motion Picture film sold, exposed     | 1,950       | 308         | 1,317       | 112         | 547         | i) Film, motion pic., exposed, sold<br>ii) Film, motion pic., educational                                                              |
| 919-51      | M.P. film unexposed                   | 77          | 17          | 84          | 208         | 293         |                                                                                                                                        |
| 634-99      | Commercial Telecommu. Equipment NES   | 21,767      | 25,126      | 31,787      | 36,826      | 49,310      | 634-0075 relates to video disk players                                                                                                 |
| 919-99      | Photographic Equipment & Supplies NES | 8,782       | 8,949       | 11,696      | 15,690      | 19,865      |                                                                                                                                        |
| 918-39      | Photo film & plates sold exposed NES  | 971         | 830         | 884         | 841         | 611         | i) Bibliefilms, processed<br>ii) Film slides<br>iii) Microfilm, exposed<br>iv) Film, still picture exposed NES                         |
| 995-85      | M.P. Film not sold exposed            | 4,177       | 4,864       | 5,345       | 6,080       | 5,383       | i) Film, motion pic., exposed, not sold<br>ii) Motion pic. film, exposed, not sold<br>iii) Video tape, recorded, not sold to consignee |

APPENDIX II

GENERAL TERMS OF AGREEMENT

|                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PRINTS          | Prints shall include any means, now in existence, or devised in the future, for the storage and subsequent exhibition of sound moving pictures, including, but not limited to photographic film, magnetic tape.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| PRINT SHIPMENT  | We will ship prints in time to accommodate scheduled bookings. Returned prints will be inspected, cleaned and minor repairs made as necessary.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| SHOWING REPORTS | We will obtain reports from the organizations which show the prints. These showing reports will be consolidated into a monthly summary report and sent to you.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| PRINT REPAIR    | If, during inspection, we find that prints have become worn or damaged so that they will no longer provide satisfactory showings, we will discard those prints and ask you to replace them.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| CASES/REELS     | When the shipping cases and reels provided with your prints become damaged or worn so that they no longer properly protect your prints, we will supply replacement cases and reels and will bill you at their current list price.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| LIABILITY       | <p>Prints remain your property. We will be responsible for them during the time they are in our possession and while in transportation originated by us, we will not be responsible for damage or loss by exhibitors or during transportation originated by them.</p> <p>It is agreed that prints depreciate through normal usage and that for the purpose of insurance or liability these prints will be valued at original cost depreciated at the rate of 30% a year for the first three years, and 10% in the fourth year. Neither of us shall be liable for loss of prints through or occasioned by an Act of God or the public enemy or by riot, fire, insurrection, strikes, flooding, labor disturbances or by the failure of any transportation company or agency.</p> |



At the termination of this agreement your property then in our possession will be returned to you FOB shipping point after commitments have been served.

TAXES            In the event that Federal, state or local statutes impose taxation on us because of our possession of your property, we will have the right to invoice you the net sums of any such taxes paid by us on your property.

ADVERTISING    In connection with advertising, publicity and promotion relating to the showing of your motion picture, we may use such expressions as "A Modern Talking Picture Service Program" or other similar expressions.

PAYMENT        You will pay our invoices for services & materials within thirty (30) days of receipt.

TERMINATION    At the time of termination it is understood that all advance booking commitments confirmed to audiences will be honored and served by us and paid for by you at one-half of the booking rate agreed to herein.

It is understood that under normal circumstances booking commitments may be made as much as eleven (11) months ahead of playdates. Should you find it necessary to have us cancel confirmed advance bookings for any reason, it is agreed that you shall pay us the full booking rate for those bookings.

IDEMNIFICATION    You shall, at your own cost, indemnify, defend and hold us and our licensees booking and showing your motion picture harmless from any claim or demand which may be made or asserted against us or and licensees by reason of any claim of violation of infringement of the trademark, tradename, copyright, literary, artistic, dramatic, personal, private, civic or property right, or the right of privacy of any individual, firm, corporation or association, and we shall have the right to participate in the defense of any action or actions brought in connection therewith. Neither of us shall be liable for any act, delay or omission occasioned by an Act of God or the public enemy,

or by riot, insurrection, strikes, labor disturbances or by any failure or delay by any transportation company or agency for any act, delay or omission not due to the personal negligence of either of us.



APPENDIX III

CERTIFICATION OF SHOWANCE

MODERN TALKING PICTURE SERVICE, INC.

2323 New Hyde Park Road, New Hyde Park, N.Y.  
11040

TO \_\_\_\_\_

Certification No. \_\_\_\_\_

PICTURE \_\_\_\_\_

Date \_\_\_\_\_

| STATE                          | BOOKINGS | TIMES SHOWN | ATTENDANCE                     |       |      |       |       |
|--------------------------------|----------|-------------|--------------------------------|-------|------|-------|-------|
|                                |          |             | MEN                            | WOMEN | BOYS | GIRLS | TOTAL |
| SCHOOLS                        | 79       | 172         | 230                            | 302   | 1436 | 2536  | 4632  |
| CHURCH GROUPS                  | 2        | 4           |                                | 55    |      | 30    | 85    |
| MENS GROUPS                    | 2        | 2           | 16                             |       |      |       | 216   |
| COLLEGES                       | 9        | 13          | 125                            | 256   |      | 31    | 412   |
| MFG PLANTS                     | 14       | 18          | 196                            | 147   |      | 3     | 651   |
| RESORTS                        | 50       | 50          | 579                            | 624   | 597  | 655   | 2506  |
| GENERAL ADULTS                 | 37       | 40          | 603                            | 448   | 268  | 248   | 1783  |
| TOTAL                          | 193      | 299         | 1749                           | 1832  | 2301 | 3503  | 10285 |
| DURING THE YEAR WE RECEIVED    |          |             | 10 MORE REQUESTS THAN WE COULD |       |      |       |       |
| ACCOMMODATE WITH THE AVAILABLE |          |             | PRINTS.                        |       |      |       |       |

APPENDIX IV

EDUCATIONAL MARKET FOR AUDIO-VISUAL MATERIAL

- Sources:
- i. 'Results of Survey for Year Three', C.E. Wilkinson, SCHOOL PROGRESS, June 1973, page 12.
  - ii. 'The Education Market in Canada', MacLean Hunter Research Bureau, November 1972.

Calculation:

Assuming a static total pupil population of 5½ million in elementary and secondary schools in Canada, and a rough average expenditure of \$3.00 per<sup>(1)</sup> pupil on audio-visual material, a total of close to \$14 million for 1973 is reached.

Assuming no change in pupil population and estimating an expenditure of \$4.00 per pupil in 1978<sup>(2)</sup>, a market-growth of over 30%, or about 5% a year, can be predicted.

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- (1) The figure of \$3.00 is the weighted average of the figures of \$3.06, \$2.31, \$2.27, and \$2.10 quoted in Wilkinson's study of expenditures of school boards of varying sizes.
  - (2) The figure of \$4.00 is the weighted average of the figures of \$3.96, \$3.44, \$3.22, and \$2.50 derived from the same source.



APPENDIX V

FILM PRODUCTION: TAX INCENTIVES

As of November 18, 1974, films which met the eligibility criteria of subsection 1104(2) of the Income Tax Regulations became entitled to carry a 100% CCA<sup>(1)</sup> for the owners of the film.

- (a) Process of Eligibility. The producer or owner of the film makes an application for eligibility or certification to the Secretary of State. This can only be done after the film has been made, since details such as time and footage must be actual and all expenditures incurred must be certified by a Chartered Accountant (CA).

The normal planning and financing process goes as follows: The Canadian producer draws up the budget, arranges financing with CFDC, distributors, amassing about 50-75% of capital, then goes to a financial consultant who charges him about 10% to find investors who become the owners of the film and the beneficiaries of the CCA. The producer retains certain rights and 6% to 20% of profits. Being successful in certifying his film is therefore essential to finding investors. If not certified, the film is only entitled to a 60% CCA.

Videotape productions qualify for 100% CCA, regardless of length. Films have to be at least 75 minutes in length.

Eligible films which may be certified are:

- 75 minutes-plus in length.
- produced (production commenced) after November 18, 1974.
- a co-production agreement film is also eligible.
- producer is a Canadian.
- 2/3 of processing costs, lab, sound, etc., is spent in Canada.

There remains a large amount of discretion allowed to the Revenue Department, even if the film has been certified. Discretion centers around three crucial aspects:

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<sup>1</sup> CCA - Capital Cost Allowance.

1. Title Versus Ownership: The investor needs to have more than mere title to the product; he must be able to control the destiny of the film. Thus an investor who holds title to a film but does not have any power, or has relinquished all his powers to the distribution aspect or to the resale of the film, may be considered as having title but not ownership. He may be contested by Revenue on the grounds that he does not have the actual ownership.
2. Cost Eligibility: The investor is allowed to leverage his investment and earn a CCA allowance on the total amount, only provided that his money, borrowed or not, is entirely at risk. In other words, his borrowed funds must be an unconditional obligation with a set term and repayment date. Any condition which stipulates that his loan is only repayable out of earnings, for example, becomes suspect, and the investor is likely to be contested in court.
3. Artificiality: Any scheme which appears to be an artificial concoction or a contrivance of market situation and dealings between parties is likely to be contested. In fact, the production of the film should hold on its own merits rather than appear as a scheme conceived only to avoid taxation.

The three items above are the most crucial in overcoming the problem of having a film contested by Revenue for 100% CCA. Since November 18, 1974 there have been only two films eligible for 1974 tax year, and it will not be until April 1976 that the CCA deductions for 1975 will appear for review. It is hoped that when the occasion arises, Revenue Canada will instigate action to establish clear-cut precedents so as to provide the industry with a guideline. At the present time, there is some uncertainty as to what Revenue position will be, and there is the common belief that certification by Secretary of State is not sufficient. However, advance rulings may be obtained from Revenue, and in most cases which are clear-cut, little difficulty is anticipated. It may be just to assume that Revenue's position is to attempt to eliminate those schemes which are merely tax avoidance schemes having little or no relationship to the actual production of a film, or who are fraudulent schemes to deprive the government of its revenue.

It is also interesting to note that all foreign films are entitled to 60% CCA, and that there is a great trend for Canadians to seek a tax shelter by purchasing foreign (US) movies to create a tax shelter for themselves.



- (b) Volume of Investment in Tax Schemes: Although no exact figures were available, a general indication of the quantities of money invested was estimated: In film in 1973, approximately 600-800 people invested an average of \$10,000 \$15,000, for a range of about \$6-12 mm, and a fair estimate of about \$8 mm. It was estimated that from that total, about \$2 mm went into domestic films. In 1974, domestic interest rose to about \$4 mm because of the crimp put on foreign movies. It is anticipated that the emphasis on domestic movies will increase as long as the CCA differential of 100% to 60% persists.

In videotape in 1974, it was estimated that approximately 300 investors invested \$400 each, with an average leverage of 3:1 for a commitment of \$12,000, each giving a pool of funds of about \$3.5 mm.

Thus, in aggregate terms, we are looking at a private investment pool triggered by fiscal incentives of about \$12 mm per year.

The opinion of Revenue Canada was that, whereas the 100% CCA on Canadian films was acceptable because they provided a true injection in Canadian products and employment, the foreign film purchase tax break should be reduced from 60% to 20%, in line with other depreciable items. It is estimated that a further differentiation in depreciation rates between foreign and domestic CCA would greatly encourage domestic films, proper account being taken of the availability of substitute tax shelter schemes.

## APPENDIX VI

### BRITAIN'S EADY PLAN

The original plan, introduced under the auspices of Sir Wilfred Eady of the Treasury, and which is currently referred to as the Eady Plan, was an industry-run voluntary plan whereby each exhibitor agreed to pay one farthing into the British Film Production Fund for every cinema seat sold at prices in excess of 3d. The collected proceeds were distributed to British film makers in direct proportion of their earnings.

In October 1957, the statutory British film levy was introduced, following clearly the lines of the Eady Plan. The levy is collected from exhibitors by Customs and Excise. The present rate is 1/9th of the amount by which cinema seat prices exceed 7½p.

Amounts collected go into the British Film Fund Agency, and are then redistributed to qualified producers after 10% has been deducted from the total; this 10% goes toward the Children's Film Foundation, the British Film Institute, and to the National Film School.

To be eligible, a film must be:

1. Made by a citizen of the British Commonwealth or by a company, the majority of whose directors must be citizens of the British Commonwealth.
2. The film studio, if any, used for shooting the picture or recording the sound of any part of the film must be situated in a Commonwealth country.
3. Not less than 75% of the cost of labour of persons directly engaged in the making of the film must have been paid, whether by the makers or any other fund, to a citizen of the British Commonwealth. Before calculating this percentage of labour costs, the salary of any one person who was not a citizen of the British Commonwealth may be excluded.

Labour costs refer to payments for copyrights in a work directly related to the making of the film, includes executive producers, still photographers, cameramen, production and studio managers, but excludes clerks, typists, legal, publicity and transport staff.



4. A film may qualify so long as no more than  $7\frac{1}{2}\%$  of its total playing time has been shot in a studio outside the British Commonwealth.
5. A film must be made in widths exceeding 16mm.

Specially favourable arrangements apply to "low cost films", films with a minimum playing time of 33-1/3 minutes, and with labour costs not exceeding 50,000.

- short film, time of less than 33-1/3 minutes.
- newsreels.

In all these cases, the distributors' gross receipts are multiplied by  $3\frac{1}{2}$  times before their entitlement to the levy is calculated, except in the case of low cost film where the limit is set at an estimated labour cost or \$18,750 as a base, whichever is less.

6. Any film made in accordance with an international agreement to which the UK is a party will also be eligible for payments from the British Film Fund.

The British Eady Plan appears to have several advantages:

- (a) It allows money to bypass the exhibitor/distributor sharing of receipts and the third ranking of the producer in the collection process. In the simple example shown below, the financial position of the exhibitor and of the distributor are not affected; the levy of 5% of receipts is channelled directly to the producer, thereby increasing his immediate take by 33%. This will enable the producer to recoup his cost much faster and to enable more films to reach their break-even point. The quicker flow of funds to the producer, as well as the decrease in his risk, is likely to create two effects in the near future:
  1. he will find easier access to financing because of the inherent decrease in risk;
  2. he will have a more rapid turnover of funds which should encourage him to step up production volume.

On the other hand, if the distributor has considerable market power, he may wish to reduce the producer to his original level through a sharing agreement, and thus become the indirect benefactor of the levy.

|                     |      | <u>WITHOUT EADY</u> | <u>WITH EADY</u> |
|---------------------|------|---------------------|------------------|
| Receipt and Tax     |      | \$ 1.05             | \$ 1.05          |
| Net receipt         |      | \$ 1.00             | \$ 1.00          |
| Exhibitor's         | 50 % |                     | 50 %             |
| Distributor's gross | 50 % |                     | 50 %             |
| Distributor's net   |      | \$ .35              | \$ .35           |
| Levy                |      | \$ -                | \$ .05           |
| Producer's gross    |      | \$ .15              | \$ .20           |

Secondly, if the conditions of eligibility are too stringent, the number of marketable films made will be reduced and the purpose of the levy will not be fulfilled. It must be remembered that the levy is an incentive to the producer of a product which knows its success beyond domestic boundaries, and that the producer must not be constrained to producing a product which is not saleable outside a limited cultural/national environment.

Bearing in mind that possibly the greatest economic benefit from a film industry is its export value, the plan must be tailored so as to provide the incentives to produce an international product. Considerable thought must be attached to the question of national labour content, location filming, processing and talent content, lest the eligibility restrictions should destroy the exportability and saleability of the product.



APPENDIX VII

CO-PRODUCTION AGREEMENT BETWEEN THE  
GOVERNMENT OF THE UK OF G.B. & NORTHERN IRELAND AND  
THE GOVERNMENT OF CANADA

Basically a "co-production" is a film made by one or more UK makers in conjunction with one or more Canadian makers. A co-production film shall be entitled to the full enjoyment of all the benefits which are or may be accorded in the respective makers' countries.

The co-production agreement remains in force three years with an automatic three-year renewal unless otherwise terminated.

Eligibility:

- Most of the location filming in UK or Canada, unless by exception and prior approval.
- Directors must be from the UK or Canada.
- Script writers must be from the UK or Canada.

Export receipts: Receipts from the UK should accrue to the UK co-producer, those from Canada to the Canadian co-producers; distribution of the receipts from other markets should reflect the proportionate share of the total investment by each co-producer.

- Total production costs shall not be less than CDN \$350,000 or £150,000, and the share of such costs borne by the co-producer of one country shall not be less than 30%.
- % of the shots must be non-stock shots.
- The music must be from either co-producer country.

The obvious advantage is the opening up of the UK market for Canadian producers, a market which has been severely restricted by quotas.

The films made under a co-production agreement will be entitled to the rights of levy rebate under the UK Eady Plan.

There also exists a good possibility that US producers could make Canadian films under a co-production agreement, and simultaneously benefit from the UK and Canadian markets.

The combination of CCA legislation and the co-production agreement will serve to reduce the risk to the producer who enters into a co-production agreement through a combination of increased market size for a reduced cost, and after-tax reduced production costs.

The main problem is that realistically, it is very costly to produce a film in two locations or share the process of production between two countries. This may continue to be a factor eliminating potential productions.



## APPENDIX VIII

### QUEBEC - SPECIAL PROBLEMS

Distributors in Quebec are faced with problems which are unique to their province:

#### The Present Status of Local Productions

Despite the fact that the supply of French-language films cannot meet the demand, Quebec productions have in the last few years not been well-received there or elsewhere in Canada. Some distributors attribute this decline in popularity to deterioration of quality; others see the chief cause in a growing audience apathy toward the local product. The initial fervour may have depended upon the novelty of assertions of independent identity, dissipating now as audiences seem to demand a more "sophisticated" product.

#### Two Languages, Two Markets

Despite the small percentage of English-speaking people in the province of Quebec, there are two distinctive markets in the film industry. It is significantly more costly to operate an entertainment industry that serves the public in two languages, not only because of the duplication of cinemas, but also because the distributors must provide additional prints, promotional material, etc. They must have films dubbed into French <sup>(1)</sup> or supplied with sub-titles, and this is not only costly but time-consuming.

Release dates of the original English-language pictures of a British or American film are almost invariably several months ahead of the corresponding French-language version. The original version of "Jaws," for example, was released in the summer of 1975, while the French version did not appear until about four months later.

As a result, films dubbed in French are re-runs rather than first-run movies. They are often shown as part of a double feature in

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(1) Dubbing of an American film into French costs \$15,000 to \$20,000.

second-run theatres. The distributor, therefore, gets a deal which is less favourable than when he distributes a newly released English language film in its original version.

In many instances, French-speaking audiences view a newly released American film in English, but those who are not bilingual must patiently wait for the dubbed version. By that time a film which has been shown and discussed at length has lost much of its freshness of appeal. This does, however, have the advantage of sorting out exploitation pictures, since their performance has already been determined in the English market.

#### Foreign Films have Limited Potential

French Canadians, by and large, do not enjoy sub-titled films, which are for the most part restricted to film societies and art houses. Nevertheless, a number of foreign films entering Quebec are sub-titled and the majority of these have English sub-titles. In cases where these films have enjoyed only moderate success abroad, they are not provided with French sub-titles for showings in Quebec, because this would entail too great an expense for a film of limited potential and circulation. Consequently, many unilingual French Canadians miss the opportunity of viewing certain foreign films.

#### Foreign Distribution Rights for Foreign Films

Perhaps the most frustrating problem for Quebec distributors (and Canadian distributors as a whole) is that American distributors hold the distribution rights for a significant number of foreign films, including motion pictures from France. This means that Quebec distributors must go through an additional "middleman" in order to acquire the distribution rights for these films. On occasion it is impossible to get access to certain pictures. This occurs when American distributors buy foreign films in "packages" for distribution in the US and Canada with the Canadian market considered as merely an appendage to the larger US market. Some of these films, considered to be of limited marketability, never cross the border. Americans, for strictly economic reasons, prefer to deliver a



larger quantity of American films to the Canadian theatre-going public. Consequently, Canadian distributors and exhibitors are deprived of substantial business, and the public misses out on a few quality films.

Many of the Canadian distributors interviewed felt that all foreign pictures, with the exception perhaps of American films, should be distributed in Canada by Canadians. The existing injustice can be witnessed in the distribution of Swedish films, all of which are distributed in Canada by American distributors. American distribution firms have also secured the Canadian distribution rights for the French films produced and directed by Louis Malle and François Truffaut, two distinguished film-makers in France.

One major distribution company in Montreal, Les Films Mutuels,<sup>(2)</sup> has overcome this American dominance by overbidding the Americans on a number of French films. However, this gesture has only succeeded in accentuating the problem rather than solving it. Potential French productions are now out of the reach of most other Quebec distributors. This problem was mentioned by all Quebec distributors. A fixed price is never established; films go to the highest bidder and can only be acquired at exorbitant, unrealistic prices.

#### Double Features

The formerly widespread practice of showing double features is on the decline in Quebec; however, it is still prevalent in some motion picture theatres. Independent distributors have complained about the adverse effects of double programming, both to distributors and exhibitors, adding to their costs without increasing their revenues. Double features are run chiefly in second-run theatre houses, in first-run theatres located in low-income areas, and in out-of-town theatres located in shopping centres and suburbs. Double features attract more crowds from the low-income bracket because they provide them with a whole evening of entertainment at a relatively low price.

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(2) This firm also produces an average of 2-3 films per year and owns several French radio stations.

### The Non-Feature Film Sector (Non-Theatrical)

Distributors of non-feature films comprise a small percentage of the distribution segment in Quebec. There is only one such distributor whose market extends over the whole of Canada, City Films, Ltd. Competition from the National Film Board and the Office du Film du Québec, particularly in the realm of educational films, limits the business prospects of private distributors in this specialized field.

The majority of non-features distributed in Quebec are produced in the United States; a significant number originate in Canada, and an impressive quantity come from Germany, France, and other European countries.

Non-features are sponsored by major international corporations, such as airlines and oil companies, or they are subsidized by federal or provincial government associations.

The leading problem facing distributors of non-features in Quebec is the difficulty in acquiring French-language films or foreign films dubbed into French. Most of the American non-features exist in English only, and this shortage of French-language films has created a major problem in a province where the French population by far outnumbers the English. Films are occasionally rejected by the applicant<sup>(3)</sup> if they are not in French, thus robbing the distributor of substantial business.

The largest producer of French-language non-features in the province of Quebec is the Office du Film du Québec. This provincial government organization also distributes its films, but according to private distributors, this happens in a bureaucratic inefficient manner. Quebec's private distributors of non-features would welcome the opportunity of distributing the films produced by the Office du Film du Québec, but so far their efforts to negotiate an agreement with this organization have been ignored.

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(3) Educational institutions, in most cases. This rejection occurs chiefly in the Montreal area. The friction which reigns between the English and French is less acute in the rest of the province because the percentage of English-speaking people is much lower outside Montreal.



In order to maintain an even flow of business, Quebec distributors may, in the near future, be obliged to have certain American films dubbed into French, and for a 16mm film which, on the average, rents for \$10, this can be a very costly and uneconomic enterprise.

#### Radio Canada (CBC)

The small, independent distributors of Quebec unanimously expressed their animosity towards this television network. Despite countless efforts on their part to sell their products to Radio Canada, this network has been refusing most offers.<sup>(4)</sup> Any negotiations which do take place tend to be drawn out and unsatisfactory; decisions to buy a film are invariably delayed, sometimes indefinitely.

Television networks currently have the right to purchase foreign films directly from abroad. They need not use the services of a Canadian distributor as an intermediary for their transactions. This situation creates much hostility among the independent Canadian distributors who feel they are being unjustly treated. In most European countries, distributors are protected by law which prohibits direct negotiations between TV networks and foreign producers and distributors.<sup>(5)</sup>

#### Censorship Fees

Censorship fees in Quebec are the highest in Canada. According to distributors, these fees represent a heavy burden, especially for the small, independent distributor who handles just a few films per year. The real problem is that censorship fees for a "Jaws" are identical to those for a lower budget film.

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(4) This problem is not unique in Quebec. Distributors in Toronto and elsewhere are experiencing the same dilemma with the CBC.

(5) Some question arises as to the validity of these complaints. In the 1975 Annual Report of the CFDC a contrary view is expressed: "The corporation wishes to commend Radio-Canada (Montreal) for its policy of purchasing Canadian feature films at twice the cost of foreign films of comparable quality and for its efforts, over the past few years, to give more time for televising Canadian feature film. In 1970, Radio-Canada presented 30 feature films; 33 in 1971; 15 in 1972; and 45 in 1973."

APPENDIX IX

ATTITUDES OF DISTRIBUTORS AND  
EXHIBITORS AS EXPRESSED IN INTERVIEWS

Distributors

A distributor will seek out a Canadian film in the same way he would an American or other foreign film, provided he has the conviction that it can be turned into a marketable product. Most distributors interviewed upheld this view. However, as few Canadian productions have been big box office hits, at this juncture most distributors are somewhat skeptical about the future.<sup>(1)</sup> Their reservations stem from a number of factors which cannot be overlooked and which need to be remedied if Canadian productions are to become viable. These factors are the poor quality of the product, the indifference of the public, and the limited possibilities for distribution:

- Poor quality, i.e., the lack of one or more of the following basic elements which compose the prerequisites of a truly successful product:
  - . Good script directed to world motion picture audiences.
  - . Capable producer.
  - . Substantial budget--"...experience shows that a producer must be able to spend a minimum of \$1 million on a major feature to ensure some degree of production quality (current US average ranges between \$2,500,000-\$3,000,000).<sup>(2)</sup> Total production costs of a recently released American film, "Barry Lyndon," were estimated to be \$4 million.

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(1) A significant number of the distributors who have participated in the financing of Canadian films have reduced their investment over the past few years due to the uncertain success of these productions. (The government's closing the gap on a tax loophole may also have affected their propensity to invest.)

(2) CMPDA Brief, October 23-24, 1975; p.20.



Most Canadian films are produced with a meagre budget seldom exceeding \$400,000, and more likely in the vicinity of \$300,000.<sup>(3)</sup>

Canadian film makers are constantly saying that they are not and cannot compete with the Americans, yet the spectators who watch films with a critical eye make their own comparisons and judgments. Their preference goes to the American film which offers them all the spectacular entertainment they are searching for.<sup>(4)</sup> Unless a Canadian film has some really outstanding merits, such as an excellent script or superb acting, it cannot stand up to the lavish, super multi-million dollar American productions.

- . Experienced technicians: For a film to be a cinematographic success, it is not sufficient to employ the services of experienced technicians. They must be experienced and specialized in one field, namely feature films. Unfortunately, the experience of the majority of Canadian technicians has, to date, been limited to television and documentary productions. This signifies that most Canadian features are produced in such a way that the audio rather than the visual element is emphasized. This technique is justified for television utilization because the screen is small and many of the effects are left to the ears rather than to the eyes. The contrary is true for most American features, where the visual by far surpasses the audio. What we see is more important and has a greater impact on us than what we hear.

A script destined for the movie theatre will undoubtedly have little appeal for the reader; however, once pro-

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(3) See attached CFDC listing.

(4) Here again we are dealing mainly with the English speaking population in Canada. The francophones enjoy other foreign films as well, such as French and Italian productions.

jected on the screen it has the ability of captivating its audience. A typical example of such "visual" films is "Barry Lyndon," where most of the feelings of the characters are portrayed through expressions rather than through dialogue. "Jaws" and "Towering Inferno" are also in this category, where the visual action is so sensational as to arouse the deepest feelings of fear among the audience.

- . Talented actors: The problem in Canada is not so much to find talented actors but well known actors who attract large audiences. A star system similar to the one in Hollywood exists, although to a lesser extent, in Quebec, but not in the other provinces.
- Indifference of public: Canadian movie-goers are, generally speaking, indifferent to Canadian films. This is partly due to the inappropriate and misleading publicity given Canadian productions. When a newly released picture is advertised in the newspapers, little mention, if any, is made of the fact that it is Canadian.<sup>(5)</sup> Distributors actually feel that a Canadian film has a better chance at the box office if the public is unaware of its Canadian origin.
- Limited distribution possibilities: Canadian productions which fail to attract large crowds at home encounter a yet greater degree of indifference and even opposition abroad. It is extremely difficult to export Canadian films. A number of English language films have enjoyed moderate success across Canada, but few Quebec films have managed to pierce the boundaries of their own province; fewer still have been shown abroad. It is virtually impossible to recoup an investment, let alone generate a profit, on a Canadian film where distribution is restricted to Canada.

Despite these negative factors, the future may be brighter, judging from the three top money-makers for Canada's largest distributor,

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(5) This is different in the province of Quebec, where publicity is geared to arouse the pride of French Canadians in Quebec productions.



Astral. These films were all Canadian: "Duddy Kravitz," "Recommendation for Mercy," and "Lies My Father Told Me," "Duddy Kravitz," by earning over \$2 million at the Canadian box office, placed as one of the top 25 money-makers in Canada last year.

### Exhibitors

Exhibitors have very pronounced opinions about Canadian films, and rightfully so, since they are the first to witness the reactions of the public. Too often their theatres have been empty when they ran such films, and consequently, with few exceptions, they would rather not handle them. The quota system has, therefore, encountered much opposition, especially from the independent exhibitors. Their argument is that a good film does not require a quota. Exhibitors will be fighting to get one for their theatres. If the quota becomes effective, these independents are concerned about who will cover the losses when a Canadian film is a box office disaster. This uncertainty about how the quota system would function is at the root of the negative attitude.

It is the responsibility of the government as well as the film producers and distributors to point out to these exhibitors that some Canadian films initially considered to be products of limited grossing potential have actually become commercial hits. The most striking example can be seen in the operation of Rocca Cinemas Ltd., a New Brunswick exhibition company which owns and operates five new conveniently located twin cinemas, two in New Brunswick and three in Nova Scotia. In spite of having been left with products (some Canadian) which Famous Players and Odeon either could not or did not wish to exhibit, Rocca Cinemas Ltd. managed to produce some of the highest grosses of any theatres in the Maritimes. We quote the Vice-President of this firm, John R. Rocca:

"...Canadian-made films are unable to find theatres to exhibit their product. Famous Players and Odeon contend

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- (6) The situation differs somewhat in Quebec where major distributors are often affiliated with both producers and exhibitors and can hence place a Canadian product without any opposition from the exhibitor. Quebec productions are also provided with ample local publicity.

that the reason is that Canadians do not make movies that are successful at the box office. Yet we played many Canadian-made movies that Famous Players and Odeon rejected for 14 out of 52 weeks in our theatre in Saint John in our first year of operation, and we made money on all the films except one. In fact, the profit we made from these Canadian films was greater than the profit from most of the pictures of all the major distributors." (7)

The experience of Rocca Cinemas Ltd. is one of several that has demonstrated the capability of Canadian films to gain a favourable response from the Canadian public--provided these films are successfully merchandised, granted an adequate publicity program, and shown in modern, well-located cinemas (downtown areas or shopping centres). It has become apparent after this six-month test-period that voluntary agreement has not given the desired results. A quota system should be legislated in order to ensure the necessary exposure essential to establish a solidly based national distribution network.

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(7) 1973. John Rocca Letter to Distributors.



APPENDIX X

1975 THEATRICAL FEATURE PRODUCTION

CATEGORY A: Up to \$300,000

Average: \$123,000

Wilderness Trails

- \* The Mystery of The Million Dollar Hockey Puck (Jean Lafleur; Peter Svatek)
- \* L'Armour Blessé (Jean-Pierre Lefebvre)
- \* The Clown Murders (Martyn Burke)
- \* Brethren (Dennis Zahoruk)
- \* A Sweeter Song (Allan Eastman)
- Cindy (Frank Vitale)
- \* The Keeper (Tom Drake)
- Never Look Back (Ed Hunt)
- \* Chanson pour Julie (Jacques Vallée)
- \* L'Absence (Brigitte Sauriol)
- \* Love At First Sight (Rex Bromfield)

CATEGORY B: \$300,000 to \$600,000

Average: \$402,000

- \* La Tête de Normande St-Onge (Gilles Carle)
- Ti-mine, Bernie pis la Gang (Marcel Carrière)
- \* The Far Shore (Joyce Wieland)
- J. A. Martin Photographe (Jean Beaudin)
- \* Second Wind (Don Shebib)
- \* Je suis Loin de toi Mignonne (Claude Fournier)
- \* L'Eau chaude l'eau frette (André Forcier)
- \* Partners (Don Owen)
- \* Death Weekend (Bill Fruet)
- \* La Soleil se lève encore sur la fur Bélanger (André Brassard)

CATEGORY C: Over \$600,000

Average: \$1,150,000

- \* Find The Lady (John Trent)
- \* Breaking Point (Bob Clark)
- The Little Girl Who Lives Down The Lane (Nicolas Gessner)
- Shoot (Harvey Hart)

- 
- \* CFDC Participation

# APPENDIX XI

## CANADIAN TELEVISION STATIONS -

| <u>MARKET</u>           | <u>STATION</u> | <u>OWNER</u><br>(Corporate Name and Address)                                                        | <u>NETWORK</u><br><u>AFFILIATION</u> | <u>REMARKS</u>                                                    |
|-------------------------|----------------|-----------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------|
| <u>BRITISH COLUMBIA</u> |                |                                                                                                     |                                      |                                                                   |
| Dawson Creek            | CJDC-TV        | Radio Station CJDC (Dawson Creek, B.C.) Limited<br>901 - 102 Avenue, Dawson Creek, British Columbia | CBC (Suppl.)                         |                                                                   |
| Kamloops                | CFJC-TV        | Twin Cities Television Limited,<br>460 Pemberton Terrace, Kamloops, British Columbia                | CBC                                  | * also carries CTV<br>signal from CHAN                            |
| Kelowna                 | CHBC-TV        | Okanagan Television Co. Limited,<br>342 Leon Avenue, Kelowna, British Columbia                      | CBC                                  | * also carries CTV<br>signal from CHAN                            |
| Prince George           | CKPG-TV        | Q Broadcasting Limited,<br>1220 - Sixth Avenue, Prince George, B.C.<br>V2L 3M8                      | CBC                                  | **** CTV signal from<br>CHAN-TV                                   |
| Terrace                 | CFTK-TV        | Skeena Broadcasters Limited,<br>4625 Lazelle Avenue, Terrace, British Columbia.<br>V8G 1S4          | CBC (Suppl)                          | ****                                                              |
| Vancouver               | CBUT           | Canadian Broadcasting Corporation,<br>701 Hornby Street, Vancouver, British Columbia                | CBC                                  | Metronet                                                          |
| Vancouver               | CHAN-TV        | British Columbia Television Broadcasting System Ltd.,<br>Box 4700, Vancouver 3, British Columbia    | CTV                                  | Signal supplied to<br>Kelowna - Kamloops<br>( & CKPG-TV Fall '73) |
| Vancouver               | -              | - Applications being submitted early '75<br>for new independent station                             |                                      |                                                                   |
| Victoria                | CHEK-TV        | British Columbia Television Broadcasting System Ltd.,<br>Box 4700, Vancouver 3, British Columbia    | CBC                                  | Feed taken from CHAN<br>on Off-Network time.                      |
|                         |                | **** Great West TV,<br>1220 - 6th Avenue, Prince George, British Columbia<br>V2L 3M8                | -                                    | Group Buy                                                         |
|                         |                | * B.C. Interior Television,<br>342 Leon Avenue, Kelowna, British Columbia.                          | -                                    | Group Buy                                                         |



# CANADIAN TELEVISION STATIONS

| <u>MARKET</u>  | <u>STATION</u> | <u>OWNER</u><br>(Corporate Name and Address)                                             | <u>NETWORK</u><br><u>AFFILIATION</u> | <u>REMARKS</u>                                                                                                                             |
|----------------|----------------|------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| <u>ALBERTA</u> |                |                                                                                          |                                      |                                                                                                                                            |
| Calgary        | CFCN-TV        | CFCN Television Limited,<br>Broadcast House, Calgary, Alberta<br>T3C 3L9                 | CTV                                  | Signal supplied to<br>Lethbridge & Medicine Hat                                                                                            |
| Calgary        | CFAC-TV        | Calgary Television Limited,<br>955 Rideau Road S.W., Calgary, Alberta.<br>T2S 0S4        | CBC                                  | ** Signal supplied to Lethbridge<br>Becomes independent Fall '75<br>CBC to establish Metronet<br>Station Sept. '75                         |
| Edmonton       | CINN-TV        | Sunwapa Broadcasting Limited<br>Broadcast House, Postal Station E,<br>Edmonton, Alberta. | CIV                                  | Signal seen in Red Deer                                                                                                                    |
| Edmonton       | CBXT           | Canadian Broadcasting Corporation<br>8861 - 75th Street, Edmonton, Alberta.              | CBC                                  | Metronet                                                                                                                                   |
| Edmonton       | CBXFT          | Societe Radio-Canada<br>Box 555, Edmonton, Alberta.                                      | CBC                                  | French Language<br>(Shares channel with MEETA)                                                                                             |
| Edmonton       | CITV           | Edmonton Video Limited,<br>5325 - 104 Street, Edmonton, Alberta.<br>T6H 5B8              | INI                                  |                                                                                                                                            |
| Lethbridge     | CJOC-TV        | Lethbridge Television Limited,<br>P.O. Box 1120, Lethbridge, Alberta.                    | CBC                                  | ** Carries CTV signal from<br>CFCN-TV and CBC from CFAC-TV<br>Will become independent Fall '76<br>when CBC signal supplied from<br>Calgary |
| Lloydminster   | CKSA-TV        | CKSA-TV Limited<br>5026 - 5th Street, Lloydminster, Alberta.<br>S9V 0Z1                  | CBC (Suppl.)                         | To carry CTV signal on separate<br>channel Fall '75                                                                                        |

# CANADIAN TELEVISION STATIONS

| <u>MARKET</u>              | <u>STATION</u> | <u>OWNER</u>                                                                     | <u>NETWORK<br/>AFFILIATION</u> | <u>REMARKS</u>                            |
|----------------------------|----------------|----------------------------------------------------------------------------------|--------------------------------|-------------------------------------------|
| <u>ALBERTA - (Cont'd.)</u> |                |                                                                                  |                                |                                           |
| Medicine Hat               | CHAT-TV        | Monarch Broadcasting Co. Ltd.,<br>Medicine Hat, Alberta.                         | CBC                            | ** CTV signal seen on separate<br>channel |
| Red Deer                   | CKRD-TV        | CHCA Television Limited,<br>P.O. Box 5555, Red Deer, Alberta.                    | CBC                            | CTV signal seen from CFRN-TV              |
|                            |                | ** Southern Alberta Television,<br>955 Rideau Road, Calgary, Alberta.<br>T2S 0S4 | -                              | Group Buy                                 |



# CANADIAN TELEVISION STATIONS

| <u>MARKET</u>        | <u>STATION</u>     | <u>OWNER</u><br>(Corporate Name and Address)                                       | <u>NETWORK<br/>AFFILIATION</u> | <u>REMARKS</u>                                                     |
|----------------------|--------------------|------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------|
| <u>SASKATCHEWAN</u>  |                    |                                                                                    |                                |                                                                    |
| Moose Jaw/<br>Regina | CBKMT/<br>CBKRT    | Canadian Broadcasting Corporation<br>127 Main Street N., Moose Jaw, Saskatchewan   | CBC                            | Metronet<br>Signal also covers Regina                              |
| Prince Albert        | CKBI-TV            | Central Broadcasting Co. Limited,<br>Prince Albert, Saskatchewan.                  | CBC                            | CTV signal supplied<br>from Saskatoon                              |
| Regina               | CKCK-TV            | Armada Communications Limited,<br>Box 2000, Regina, Saskatchewan.                  | CTV                            | Signal also covers<br>Moose Jaw                                    |
| Saskatoon            | CFQC-TV            | CFQC Broadcasting Limited,<br>216 First Avenue N., Saskatoon, Saskatchewan.        | CTV                            | Signal seen in Prince<br>Albert.                                   |
| Saskatoon            | CBKST              | Canadian Broadcasting Corporation,<br>Canadian Towers, 5th Floor, Saskatoon, Sask. | CBC                            | Metronet                                                           |
| Swift Current        | CJFB-TV            | Swift Current Telecasting Co. Limited,<br>Swift Current, Saskatchewan              | CBC (Suppl.)                   | Has applied to carry<br>CTV signal on separate<br>channel Fall '75 |
| Yorkton              | CKOS-TV<br>CICC-TV | Yorkton Television Co. Limited,<br>95 East Broadway, Yorkton, Saskatchewan         | CBC<br>CTV                     | Transmits both CBC and<br>CTV on separate channels.                |

CANADIAN TELEVISION STATIONS

| <u>MARKET</u>   | <u>STATION</u> | <u>OWNER</u><br>(Corporate Name and Address)                                                                                                   | <u>NETWORK</u><br><u>AFFILIATION</u> | <u>REMARKS</u>                    |
|-----------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|
| <u>MANITOBA</u> |                |                                                                                                                                                |                                      |                                   |
| Brandon         | CKX-TV         | Western Manitoba Broadcasters Limited,<br>2940 Victoria Ave., Brandon, Manitoba<br>R7A 6A5                                                     | CBC                                  | Carries CTV signal<br>from CKY-TV |
| Winnipeg        | CBWT           | Canadian Broadcasting Corporation,<br>541 Portage Avenue W., Winnipeg, Manitoba                                                                | CBC                                  | Metronet                          |
| Winnipeg        | CBWFT          | Societe Radio-Canada<br>541 Portage Avenue, Winnipeg, Manitoba                                                                                 | CBC                                  | French Language                   |
| Winnipeg        | CKY-TV         | MTV Limited,<br>Polo Park, Winnipeg, Manitoba.<br>R3G 0L7                                                                                      | CTV                                  | Signal supplied to<br>Brandon     |
| Winnipeg        | CKND-TV        | New independent station to commence<br>operating late '75 or early '76.<br>Licence includes purchasing and closing<br>of KCND-TV Pembina, N.D. | IND.                                 |                                   |



CANADIAN TELEVISION STATIONS

| <u>MARKET</u>  | <u>STATION</u> | <u>OWNER</u>                                                                        | <u>NETWORK<br/>AFFILIATION</u> | <u>REMARKS</u>                                                |
|----------------|----------------|-------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------|
| <u>ONTARIO</u> |                |                                                                                     |                                |                                                               |
| Barrie         | CKVR-TV        | Ralph Snelgrove Television Ltd.,<br>Barrie, Ontario L4M 4T9                         | CBC                            | (Owned by CHUM Radio-Toronto)<br>CTV exclusivity              |
| Hamilton       | CHCH-TV        | Niagara Television Limited,<br>163 Jackson St. W., Hamilton, Ontario.<br>L8N 3A6    | IND.                           | Signal seen in Barrie and<br>Peterboro via Cable              |
| Kingslon       | CKWS-TV        | Frontenac Broadcasting Co. Ltd.,<br>170 Queen Street, Kingston, Ontario.            | CBC                            | ***<br>CTV signal from CJOH-TV                                |
| Kitchener      | CKCO-TV        | Central Ontario Television Ltd.,<br>864 King St. W., Kitchener, Ontario.<br>N2G 1E8 | CTV                            | Satellite in Owen Sound<br>covers Wingham                     |
| London         | CFPL-TV        | CFPL Broadcasting Limited,<br>150 Commissioners Rd. W., London, Ontario.<br>N6A 4H9 | CBC                            | CTV exclusivity                                               |
| North Bay      | CFCH-TV        | The Tel-Ad Co. Ltd.,<br>Box 3000, North Bay, Ontario.                               | CTV                            | Fed through Sudbury<br>(CBC feed from Timmins via<br>Sudbury) |
| Ottawa         | CBOT           | Canadian Broadcasting Corporation,<br>Box 3220, Ottawa, Ontario.                    | CBC                            | Metronet                                                      |
| Ottawa         | CBOFT          | Societe Radio-Canada,<br>P.O. Box 3220, Ottawa, Ontario.                            | CBC                            | French Language                                               |
| Ottawa         | CJOH-TV        | Bushnell TV Co. Limited,<br>1500 Merivale Road, Ottawa, Ontario                     | CTV                            | Signal seen in Kingston                                       |
| Pembroke       | CHOV-TV        | The Ottawa Valley Television Co. Ltd.,<br>Forest Lea Road, Pembroke, Ontario.       | CBC                            |                                                               |
| Peterborough   | CHFX-TV        | Kawartha Broadcasting Co. Ltd.<br>P.O. Box 659, Peterborough, Ontario               | CBC                            | ***<br>CTV exclusivity                                        |

# CANADIAN TELEVISION STATIONS

| <u>MARKET</u>              | <u>STATION</u>      | <u>OWNER</u><br>(Corporate Name and Address)                                              | <u>NETWORK</u><br><u>AFFILIATION</u> | <u>REMARKS</u>                                                                                 |
|----------------------------|---------------------|-------------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------------------|
| <u>ONTARIO - (Cont'd.)</u> |                     |                                                                                           |                                      |                                                                                                |
| Sault Ste. Marie           | CJIC-TV             | Hyland Radio-TV Limited,<br>Box 370, Sault Ste. Marie, Ontario<br>P6A 5H2                 | CBC                                  | (Only Station to own Cable<br>in own coverage area)<br>CTV seen on cable only                  |
| Sudbury                    | CKSO-TV             | Cambrian Broadcasting Limited<br>336 Ash Street, Sudbury, Ontario.                        | CTV                                  | Repeater in Timmins and<br>owns North Bay station                                              |
| Thunder Bay                | CKPR-TV<br>CHH-D-TV | Thunder Bay Electronics Limited,<br>87 North Hill Street, Thunder Bay, Ontario.           | CBC<br>CTV                           | Transmits both CBC and CTV<br>as of Oct. 14/72 on separate<br>channels                         |
| Timmins                    | CFCL-TV             | J. Conrad Lavigne Enterprises,<br>P.O. Box 620, Timmins, Ontario.<br>P4N 7G3              | CBC                                  | CTV seen from Sudbury<br>-Also repeater in North Bay<br>(Limited-Live operation in<br>Sudbury) |
| Toronto                    | CBLT                | Canadian Broadcasting Corporation,<br>354 Jarvis Street, Toronto, Ontario<br>M5W 1E6      | CBC                                  | Metronet                                                                                       |
| Toronto                    | CFTO-TV             | CFTO-TV Limited<br>Box 9, Toronto<br>M4A 2M9                                              | CIV                                  |                                                                                                |
| Toronto (CIBF)             | CITY-TV             | Channel Seventy Nine Limited<br>99 Queen St. E., Toronto, Ontario.                        | IND                                  | Local signal coverage                                                                          |
| Toronto                    | CKGN-TV             | Global Communications Limited,<br>81 Barber Greene Road,<br>Don Mills, Ontario<br>M3C 2A3 | GLOBAL                               | 6 Transmitters cover between<br>Windsor and Ottawa                                             |



CANADIAN TELEVISION STATIONS

| <u>MARKET</u> | <u>STATION</u> | <u>OWNER</u>                                      | <u>NETWORK<br/>AFFILIATION</u> | <u>REMARKS</u>                                        |
|---------------|----------------|---------------------------------------------------|--------------------------------|-------------------------------------------------------|
| Toronto       | CBLFT          | Societe Radio-Canada                              | CBC                            | French Language                                       |
| Windsor       | CKLW-TV        | CKLW-TV,<br>825 Riverside Drive W., Windsor, Ont. | CBC                            |                                                       |
| Wingham       | CKNX-TV        | CKNX Broadcasting Limited<br>Wingham, Ontario.    | CBC                            | Owned by CFP-L-TV London<br>CTV signal from Kitchener |

\*\*\* Northern Broadcasting Limited  
425 University Ave., Toronto, Ontario.

Group Buy

# CANADIAN TELEVISION STATIONS

| <u>MARKET</u>        | <u>STATION</u> | <u>OWNER</u><br>(Corporate Name and Address)                                             | <u>NETWORK</u><br><u>AFFILIATION</u> | <u>REMARKS</u>                                                                                    |
|----------------------|----------------|------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------|
| <u>NEW BRUNSWICK</u> |                |                                                                                          |                                      |                                                                                                   |
| Moncton              | CBAFT          | Societe Radio-Canada,<br>232 St. George St., Moncton, New Brunswick                      | CBC                                  | French Language                                                                                   |
| Moncton              | CKCW-TV        | Moncton Broadcasting Limited<br>P.O. Box 5004, Moncton, New Brunswick                    | CTV                                  | ++ CBC seen via repeater<br>from Saint John, N.B.<br>(Owned by CHUM-Radio<br>Toronto)             |
| Saint John           | CHSJ-TV        | New Brunswick Broadcasting Co. Ltd.<br>Union and Crown Sts., Saint John, N.B.<br>E2L 1B3 | CBC                                  | CTV seen via repeater<br>from Moncton<br>Will take over CBC signals<br>to northern N.B. from ATV. |
| <u>NOVA SCOTIA</u>   |                |                                                                                          |                                      |                                                                                                   |
| Halifax              | CBHT           | Canadian Broadcasting Corporation<br>70 Bell Road, Halifax, Nova Scotia                  | CBC                                  | Metronet<br>Feed Sydney                                                                           |
| Halifax              | CJCH-TV        | CJCH Limited,<br>2885 Robie Street, Halifax, Nova Scotia                                 | CTV                                  | ++ Owned by CHUM-Radio Tor.                                                                       |
| Sydney               | CJCB-TV        | Cape Breton Broadcasters Limited<br>Sydney, Nova Scotia                                  | CTV                                  | ++ Owned by CHUM-Radio Tor.                                                                       |
| Sydney               | CBIT           | Canadian Broadcasting Corporation,<br>285 Alexander St., Sydney, N.S.                    | CBC                                  | Metronet<br>Signal from Halifax                                                                   |
|                      | ++             | ATV (Atlantic Television System)                                                         |                                      | Group Buy                                                                                         |



# CANADIAN TELEVISION STATIONS

| <u>MARKET</u>               | <u>STATION</u> | <u>OWNER</u><br>(Corporate Name and Address)                                         | <u>NETWORK</u><br><u>AFFILIATION</u> | <u>REMARKS</u>                                                                                                    |
|-----------------------------|----------------|--------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| <u>NEWFOUNDLAND</u>         |                |                                                                                      |                                      |                                                                                                                   |
| Corner Brook                | CBYT           | Canadian Broadcasting Corporation<br>Box 610, Corner Brook, Newfoundland             | CBC                                  | Metronet - Simul. feed<br>from CBNT<br>CTV seen via repeater<br>from CJON-TV                                      |
| St. John's                  | CBNT           | Canadian Broadcasting Corporation<br>95 University Ave., St. John's, Newfoundland    | CBC                                  | Metronet - Feeds simul.<br>to CBYT; also feeds Goose<br>Bay & Labrador City                                       |
| St. John's                  | CJON-TV        | Newfoundland Broadcasting Co. Ltd.,<br>Prince of Wales St., St. John's, Newfoundland | CTV                                  | Signal supplied to<br>Corner Brook                                                                                |
| <u>PRINCE EDWARD ISLAND</u> |                |                                                                                      |                                      |                                                                                                                   |
| Charlottetown               | CBCT           | Canadian Broadcasting Corporation<br>85 Kent St., Charlottetown, P.E.I.              | CBC                                  | Metronet<br>Station operating independ-<br>ently of CBHT feed -Oct. '71<br>CTV seen via Moncton<br>repeater - '73 |

# CANADIAN TELEVISION STATIONS

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| <u>MARKET</u> | <u>STATION</u> | <u>OWNER</u><br>(Corporate Name and Address)                                         | <u>NETWORK</u><br><u>AFFILIATION</u> | <u>REMARKS</u>  |
|---------------|----------------|--------------------------------------------------------------------------------------|--------------------------------------|-----------------|
| <u>QUEBEC</u> |                |                                                                                      |                                      |                 |
| New Carlisle  | CHAU-TV        | Television de la Baie des Chaleurs Inc.,<br>Carleton, Quebec                         | CBC                                  | French Language |
| Chicoutimi    | CJPM-TV        | CJPM-TV Inc.,<br>Mount St. Claire Rd., Chicoutimi, Quebec                            | TVA                                  | French Language |
| Jonquiere     | CKRS-TV        | Radio Sagueney Ltée,<br>175 Sir Wilfrid Laurier St., Jonquiere, Quebec               | CBC                                  | French Language |
| Matane        | CKBL-TV        | Le Cie de Radiodiffusion de Matane Limitée,<br>155 St. Sacrement St., Matane, Quebec | CBC                                  | French Language |
| Montreal      | CBMT           | Canadian Broadcasting Corporation<br>1400 Dorchester St. W., Montreal, Quebec        | CBC                                  | Metronet        |
| Montreal      | CBFT           | Societe Radio-Canada,<br>Case Postale 6000, Montreal, Quebec                         | CBC                                  | French Language |
| Montreal      | CFCF-TV        | Multiple Access Limited,<br>405 Ogilvy Avenue, Montreal 303, Quebec                  | CTV                                  |                 |
| Montreal      | CFTM-TV        | Tele-Metropole Corporation,<br>1405 Rue Alexandre-Deseve, Montreal 133, Quebec       | TVA                                  | French Language |
| Quebec        | CFCM-TV        | Télé-Capitale Ltée,<br>C.P. 2026, Quebec 2, P.Q.                                     | TVA                                  | French Language |
| Quebec        | CKMI-TV        | Télé-Capitale Ltée,<br>C.P. 2026, Quebec 2, P.Q.                                     | CBC (Suppl.)                         |                 |
| Quebec        | CBVT           | Societe Radio-Canada<br>C.P. 400, Haute Ville, Quebec.                               | CBC                                  | French Language |



CANADIAN TELEVISION STATIONS

| <u>MARKET</u>           | <u>STATION</u> | <u>OWNER</u><br>(Corporate Name and Address)                          | <u>NETWORK</u><br><u>AFFILIATION</u> | <u>REMARKS</u>                                             |
|-------------------------|----------------|-----------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------|
| <u>QUEBEC - Cont'd.</u> |                |                                                                       |                                      |                                                            |
| Rimouski                | CJBR-TV        | Telemedia (Quebec)<br>273 Ouest Rue St. Jean Baptiste, Rimouski, Que. | CBC                                  | French Language                                            |
| Riviere-Du-Loup         | CKRT-TV        | CKRT-TV Ltée.,<br>1, Rue Frontenac, Riviere Du Loup, Quebec.          | CBC                                  | French Language                                            |
| Rouyn-Noranda           | CKRN-TV        | Northern Radio Inc.,<br>P.O. Box 70, Rouyn, Quebec                    | CBC                                  | French Language                                            |
| Sherbrooke              | CHLT-TV        | CHLT TV Télé 7 Ltée.,<br>3330 Ouest Rue King, Sherbrooke, Quebec      | TVA                                  | French Language                                            |
| Sherbrooke              | CKSH-TV        | Television St-Francois Inc.,<br>Sherbrooke, Que.                      | CBC                                  | (CRTC approved effective<br>Aug. 16/74)<br>French Language |
| Trois Rivières          | CKTM-TV        | Television St-Maurice Inc.,<br>P.O. Box 277, Trois Rivières, Quebec.  | CBC                                  | French Language                                            |

APPENDIX XII

SELECTED RATES OF REMUNERATION FOR TECHNICAL TALENTS -  
FILM AND TELEVISION PRODUCTION - 1975

|           |                 |
|-----------|-----------------|
| TABLE A-1 | NABET LOCAL 700 |
| TABLE A-2 | IATSE LOCAL 873 |
| TABLE A-3 | IATSE LOCAL 877 |
| TABLE A-4 | SNC             |



TABLE A-1

NABET - Local 700  
BASIC MINIMUM AGREEMENT

BASIC MINIMUM FREELANCE RATES

| <u>CATEGORY</u>                                                     | EFFECTIVE<br>JANUARY 1, 1976 |              |
|---------------------------------------------------------------------|------------------------------|--------------|
|                                                                     | <u>HOURLY</u>                | <u>DAILY</u> |
| First Assistant                                                     | 11.50                        | 92.00        |
| Second Assistant                                                    | 7.50                         | 60.00        |
| Assistant (Documentary, Educational,<br>Industrial and Second Unit) | 11.00                        | 88.00        |
| Still Photographer                                                  | 13.50                        | 108.00       |
| TV Cameraman                                                        | 10.50                        | 84.00        |
| TV Cameraman/Lighting Director                                      | 21.00                        | 168.00       |
| SOUND PRODUCTION:                                                   |                              |              |
| Sound Recordist:                                                    |                              |              |
| *Features                                                           | 15.00                        | 120.00       |
| Documentary, Educational, Industrial<br>and Commercial              | 13.00                        | 104.00       |
| Single System                                                       | 10.50                        | 84.00        |
| Sound Assistant (Boom Operator)                                     | 9.50                         | 76.00        |
| TV Audio Technician                                                 | 10.50                        | 84.00        |
| LIGHTING:                                                           |                              |              |
| *Lighting Director/Gaffer                                           | 11.50                        | 92.00        |
| Best Boy/Lighting Technician                                        | 9.50                         | 76.00        |
| Electrician/Rigger/Generator Operator                               | 9.00                         | 72.00        |
| GRIP:                                                               |                              |              |
| *Key Grip (Features)                                                | 11.25                        | 90.00        |
| *Key Grip                                                           | 10.25                        | 82.00        |
| Assistant to Key Grip (Dollyman, Crane, etc.)                       | 9.50                         | 76.00        |
| Grip                                                                | 8.25                         | 66.00        |
| TV Crane/Tongue Operator                                            | 9.50                         | 76.00        |
| PROPERTY:                                                           |                              |              |
| *Master Propsman (Features)                                         | 11.25                        | 90.00        |
| *Master Propsman (Set Decorator, Lead,<br>Buyer)                    | 10.25                        | 82.00        |
| Head Propsman (Assistant Props Buyer)                               | 9.50                         | 76.00        |
| Propsman                                                            | 8.25                         | 66.00        |

TABLE A-1 (continued)

|                                                                                                       | January 1, 1976 |              |
|-------------------------------------------------------------------------------------------------------|-----------------|--------------|
|                                                                                                       | <u>Hourly</u>   | <u>Daily</u> |
| CAMERA:                                                                                               |                 |              |
| *Director of Photography (Features)                                                                   | 24.00           | 192.00       |
| *Director of Photography (Commercials)                                                                | 21.00           | 168.00       |
| Film Cameraman (Documentary, Educational,<br>Industrial and Second Unit)                              | 18.00           | 144.00       |
| Newsreel Cameraman                                                                                    | 13.50           | 108.00       |
| Animation Cameraman                                                                                   | 12.00           | 96.00        |
| Aerial and Underwater Cameraman                                                                       | 27.00           | 216.00       |
| Camera Operator (Feature)                                                                             | 18.50           | 148.00       |
| Camera Operator                                                                                       | 15.00           | 120.00       |
| WARDROBE:                                                                                             |                 |              |
| *Costume Designer                                                                                     | 10.50           | 84.00        |
| Key Wardrobe                                                                                          | 9.50            | 76.00        |
| Dresser/Fitter/Costumer/Seamstress                                                                    | 8.00            | 64.00        |
| MAKEUP:                                                                                               |                 |              |
| Character Makeup Artist                                                                               | NEGOTIABLE      |              |
| Key Makeup Artist                                                                                     | 10.50           | 84.00        |
| Assistant Makeup                                                                                      | 8.00            | 64.00        |
| Key Hairstylist-Hairdresser                                                                           | 10.50           | 84.00        |
| Assistant Hairdresser                                                                                 | 8.00            | 64.00        |
| DIRECTORIAL:                                                                                          |                 |              |
| *Continuity/Script Assistant (Feature)                                                                | 11.00           | 88.00        |
| Script Assistant/Production Assistant                                                                 | 10.50           | 84.00        |
| Floor Manager                                                                                         | 10.50           | 84.00        |
| ART SERVICES:                                                                                         |                 |              |
| *Art Director/Set Designer                                                                            | 16.00           | 128.00       |
| Graphic Artist                                                                                        | 10.50           | 84.00        |
| Sign Writer                                                                                           | 9.25            | 74.00        |
| SETS:                                                                                                 |                 |              |
| *Key Carpenter                                                                                        | 10.50           | 84.00        |
| Carpenter                                                                                             | 9.50            | 76.00        |
| Scenic Artist/No. 1 Painter                                                                           | 11.25           | 90.00        |
| No. 2 Painter                                                                                         | 9.00            | 72.00        |
| EDITING SERVICES:                                                                                     |                 |              |
| *Senior Film Editor (Supervising<br>Film Editor (Features, Theatrical<br>Productions and Commercials) | NEGOTIABLE      |              |
| Sound Editor (Featur)                                                                                 | 13.00           | 104.00       |
| Film Editor (Documentary, Educational,<br>Industrial)                                                 | NEGOTIABLE      |              |
| Film Editor (Animation)                                                                               | 11.50           | 92.00        |
|                                                                                                       | NEGOTIABLE      |              |



TABLE A-1 (continued)

|                               | EFFECTIVE     |                     |                 |              |
|-------------------------------|---------------|---------------------|-----------------|--------------|
|                               | April 1, 1975 |                     | January 1, 1976 |              |
|                               | <u>Hourly</u> | <u>Daily</u>        | <u>Hourly</u>   | <u>Daily</u> |
| +Film Editor (Newsreel)       | 8.25          | 66.00               | 9.50            | 76.00        |
| Assistant Film Editor         | 7.00          | 56.00               | 8.25            | 66.00        |
| +Negative Cutter              | 6.50          | 52.00               | 7.50            | 60.00        |
| SPECIAL SERVICES:             |               |                     |                 |              |
| Production Labourer/Driver    | 5.75          | 46.00               | 6.50            | 52.00        |
| Tractor-Trailer Driver        | 6.50          | 52.00               | 7.50            | 60.00        |
| +Special Effects Man          |               | N E G O T I A B L E |                 |              |
| Animal Specialist/Wrangler    | 6.50          | 52.00               | 7.50            | 60.00        |
| TV PRODUCTION:                |               |                     |                 |              |
| Technical Director            | 10.00         | 80.00               | 11.50           | 92.00        |
| Switcher                      | 9.25          | 74.00               | 10.50           | 84.00        |
| Maintenance Technician        | 9.50          | 76.00               | 11.00           | 88.00        |
| Video Operator                | 9.25          | 74.00               | 10.50           | 84.00        |
| VTR Operator                  | 9.25          | 74.00               | 10.50           | 84.00        |
| Telecine Operator             | 8.25          | 66.00               | 9.50            | 76.00        |
| Cameraman                     | 9.25          | 74.00               | 10.50           | 84.00        |
| Cameraman Specialist (VR3000) | 10.50         | 84.00               | 12.00           | 96.00        |
| Cameraman/Lighting Director   | 18.00         | 144.00              | 21.00           | 168.00       |
| Audio Technician              | 9.25          | 74.00               | 10.50           | 84.00        |
| Boom Operator                 | 8.25          | 66.00               | 9.50            | 76.00        |

ALL OTHER CATEGORIES ON REQUEST - RATES NEGOTIABLE

CODE: \* Category Head                      Either one shall be the first one hired  
 + Category Sub Head                      in that category.

\*+ Either the Master Propsman or the Set Decorator can head the property category.

TABLE A-2

LOCAL 873, I.A.T.S.E.

FEATURE FILMS

Rates effective February 1974

|                                        | <u>Hourly</u>       | <u>Weekly</u> |
|----------------------------------------|---------------------|---------------|
| Gaffer (Head Electrician)              | 9.50                | 427.50        |
| Best Boy (2nd Electrician)             | 8.70                | 391.50        |
| Electrician                            | 7.30                | 328.50        |
| Generator Operator                     | 8.15                | 366.75        |
| Key Grip                               | 9.50                | 427.50        |
| Assistant Key Grip                     | 8.70                | 391.50        |
| Grip                                   | 7.30                | 328.50        |
| Art Director/Set Designer              | N E G O T I A B L E |               |
| Property Master/Set Decorator          | 9.50                | 427.50        |
| Asst. Prop. Master/Asst. Set Decorator | 8.70                | 391.50        |
| Property Man                           | 7.30                | 328.50        |
| Sound Mixer                            | N E G O T I A B L E |               |
| Recordist/Playback Operator            | 7.30                | 328.50        |
| Room Man                               | 8.70                | 391.50        |
| Script Girl                            | 9.50                | 427.50        |
| Head Make Up (Character)               | N E G O T I A B L E |               |
| Head Make Up (Standard)                | 9.50                | 427.50        |
| Assistant Make Up                      | 8.70                | 391.50        |
| Hair Stylist                           | 9.50                | 427.50        |
| Head Wardrobe                          | 9.50                | 427.50        |
| Assistant Wardrobe                     | 7.30                | 328.50        |
| Seamstress                             | 7.30                | 328.50        |
| Head Carpenter                         | 9.50                | 427.50        |
| Carpenter                              | 8.70                | 391.50        |
| Scenic Artist                          | N E G O T I A B L E |               |
| Head Painter                           | 9.50                | 427.50        |
| Painter                                | 8.70                | 391.50        |
| Sign Writers                           | 8.70                | 391.50        |
| Production Labourers                   | 5.70                | 256.50        |
| Supervising Editor                     | N E G O T I A B L E |               |
| EDITOR                                 | N E G O T I A B L E |               |
| 1st Assistant Editor                   | 7.30                | 328.50        |
| 2nd Assistant Editor                   | 5.70                | 256.50        |
| Music and/or Effects Editor            | N E G O T I A B L E |               |
| Negative Cutter                        | 6.80                | 306.50        |
| Head Driver                            | 5.95                | 297.50        |
| Driver                                 | 5.40                | 270.00        |

Rates for daily employees shall be \$0.50/hr above Schedule A.



DECEMBER 8, 1975 to DECEMBER 7, 1976

|                                                 | Hourly     | Daily    |
|-------------------------------------------------|------------|----------|
| Gaffer .....                                    | \$10.25    | \$ 82.00 |
| Best Boy .....                                  | 9.50       | 76.00    |
| Electrician .....                               | 8.90       | 71.20    |
| Generator Operator .....                        | 9.50       | 76.00    |
| Key Grip .....                                  | 10.25      | 82.00    |
| Asst. Key Grip .....                            | 9.50       | 76.00    |
| Grip .....                                      | 8.90       | 71.20    |
| Set Decorator, Set Dresser,<br>Prop Buyer ..... | 10.25      | 82.00    |
| Property Master .....                           | 10.25      | 82.00    |
| Asst. Property Master .....                     | 9.50       | 76.00    |
| Propman .....                                   | 8.90       | 71.20    |
| Head Carpenter .....                            | 10.25      | 82.00    |
| Carpenter .....                                 | 9.50       | 76.00    |
| Sound Mixer .....                               | 12.74      | 101.92   |
| Recordist & Playback Operator ..                | 9.50       | 76.00    |
| Boom Man .....                                  | 9.50       | 76.00    |
| Head Makeup (Character) .....                   | NEGOTIABLE |          |
| Head Makeup (STANDARD) ...                      | 10.25      | 82.00    |
| Asst. Makeup .....                              | 8.90       | 71.20    |
| Head Wardrobe .....                             | 10.25      | 82.00    |
| Asst. Wardrobe .....                            | 9.50       | 76.00    |
| Dresser .....                                   | 8.90       | 71.20    |
| Seamstress .....                                | 9.50       | 76.00    |
| Scenic Artist .....                             | 10.75      | 86.00    |
| Head Painter .....                              | 10.25      | 82.00    |
| Painter .....                                   | 9.50       | 76.00    |
| Hair Stylist .....                              | 10.75      | 86.00    |
| Production Labourer, Craft<br>Serviceman .....  | 7.15       | 57.20    |
| Sign Writer .....                               | 9.50       | 76.00    |
| Set Designer .....                              | NEGOTIABLE |          |
| Script .....                                    | 10.25      | 82.00    |

DECEMBER 8, 1975 to DECEMBER 7, 1976

|                                   | Hourly     | Daily |
|-----------------------------------|------------|-------|
| Driver .....                      | \$ 7.15    | 57.20 |
| Supevising Editor .....           | NEGOTIABLE |       |
| Editor .....                      | 12.45      | 99.60 |
| 1st Asst. Editor .....            | 8.90       | 71.20 |
| 2nd Asst. Editor .....            | 7.15       | 57.20 |
| Music and/or Effects Editor ..... | 9.50       | 76.00 |
| Negative Cutter .....             | 8.50       | 68.00 |

TABLE A-4

SNC

LISTE DES METIERS ET DES TARIFS MINIMUMS

En vigueur jusqu'au 31 mars 1976

|                                                                         | <u>HORAIRE</u> | <u>8 HRS</u> | <u>FORFAIT<br/>QUOTIDIEN</u> |
|-------------------------------------------------------------------------|----------------|--------------|------------------------------|
| <u>REALISATION</u>                                                      |                |              |                              |
| <u>Premier assistant-réalisateur</u>                                    |                |              |                              |
| long métrage de fiction,<br>film dramatique T.V., film<br>publicitaire: | 8.50           | 68.00        | 98.00                        |
| autres:                                                                 | 8.50           | 68.00        | 80.00                        |
| <u>Deuxième assistant-réalisateur</u>                                   | 6.45           | 51.60        |                              |
| <u>Scripte</u>                                                          | 6.45           | 51.60        |                              |
| <u>REGIE</u>                                                            |                |              |                              |
| <u>Régisseur d'extérieur</u>                                            | 6.45           | 51.60        | 70.80                        |
| <u>Régisseur de plateau</u>                                             | 6.45           | 51.60        |                              |
| <u>Assistant-régisseur</u>                                              | 5.35           | 42.80        |                              |
| <u>Secrétaire</u>                                                       | 6.45           | 51.60        |                              |
| <u>CAMERA</u>                                                           |                |              |                              |
| <u>Caméraman</u>                                                        | 13.45          | 107.60       | 145.00                       |
| <u>Deuxième caméraman</u>                                               | 10.75          | 86.00        |                              |
| <u>Premier assistant-caméraman</u>                                      | 8.20           | 65.60        |                              |
| <u>Deuxième assistant-caméraman</u>                                     | 6.25           | 50.00        |                              |
| <u>Photographe de plateau</u>                                           |                |              |                              |
| à la journée:                                                           | -              | -            | 84.00                        |
| 5 jours consécutifs:                                                    | -              | -            | 68.00                        |
| <u>SON</u>                                                              |                |              |                              |
| <u>Preneur de son</u>                                                   | 10.00          | 80.00        | 120.00                       |
| <u>Perchiste</u>                                                        | 6.25           | 50.00        |                              |



Table A-4 (continued)

|                                   | <u>Horaire</u> | <u>8 hrs</u> | <u>Forfait<br/>Quotidien</u> |
|-----------------------------------|----------------|--------------|------------------------------|
| <u>MONTAGE (image ou son)</u>     |                |              |                              |
| <u>Monteur</u>                    | 10.00          | 80.00        | 120.00                       |
| <u>Assistant-monteur</u>          | 5.45           | 43.60        | 66.00                        |
| <u>SCENOGRAPHIE</u>               |                |              |                              |
| <u>Directeur artistique</u>       | -              | -            | 135.00                       |
| <u>Chef décorateur</u>            | 9.85           | 78.80        | 120.00                       |
| <u>Décorateur ensemblier</u>      | 7.00           | 56.00        | 85.00                        |
| <u>Peintre décorateur</u>         | 6.85           | 54.80        |                              |
| <u>Accessoiriste hors plateau</u> | 6.25           | 50.00        | 75.00                        |
| <u>Accessoiriste</u>              | 6.25           | 50.00        |                              |
| <u>Assistant-accessoiriste</u>    | 5.00           | 40.00        |                              |
| <u>Chef maquilleur</u>            | 7.00           | 56.00        | 85.00                        |
| <u>Assistant-maquilleur</u>       | 5.00           | 40.00        |                              |
| <u>Créateur de costumes</u>       | 9.85           | 78.80        | 100.00                       |
| <u>Costumier</u>                  | 7.00           | 56.00        | 85.00                        |
| <u>Assistant-costumier</u>        | 5.00           | 40.00        |                              |
| <u>Habilleur</u>                  | 5.00           | 40.00        |                              |
| <u>Coiffeur</u>                   | 5.60           | 44.80        |                              |
| <u>Maquilleur</u>                 | 6.85           | 54.80        |                              |
| <u>TECHNIQUE</u>                  |                |              |                              |
| <u>Chef électricien</u>           | 6.85           | 54.80        |                              |
| <u>Electricien</u>                | 5.90           | 47.20        |                              |
| <u>Préposé au générateur</u>      | 5.90           | 47.20        |                              |
| <u>Chef machiniste</u>            | 6.85           | 54.80        |                              |
| <u>Machiniste</u>                 | 5.90           | 47.20        |                              |

NOTE 1: L'engagement aux postes d'assistantat sera ratifié par le S.N.C. lorsqu'un responsable en titre sera également sous contrat (sauf cas spéciaux).

NOTE 2: Aucun des tarifs minimums n'inclut la location d'équipement ou de locaux.

NOTE 3: Tous les tarifs sont négociables individuellement mais ne doivent, en aucun cas, être inférieurs aux minimums établis ci-dessus.











